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SCHOOL OF COMMERCE

FACTORS AFFECTING CONSUMERS
PURCHASING DECISION OF SMART
PHONES:IN ADDIS ABABA ETHIOPIA

By:

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Statement of declaration

I, the undersigned, declare that this research is my original work, prepared under the guidance of Dr Getie Andualem. All sources of materials used for this research have been duly acknowledged, the researcher further confirm that the research has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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June, 2019

Statement of Certification

This thesis has been submitted to Addis Ababa University, School of Commerce for examination with our approval as university advisors.

Advisor

Signature

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Abstract

This study was conducted with an objective of identifying factors affecting purchase decision of consumer, a case of smart phone in Addis Ababa. To address this objective, factors such as brand name, price, product feature, social influence and retail store image were used as independent variables. This study used both descriptive and explanatory research designs. Purposive and random sampling methods were used. Data were collected from primary sources through questionnaire analyzed through both descriptive and inferential methods. The descriptive analysis was conducted by using mean and standard deviation. On the other hand, inferential analysis was conducted by using linear regression method. This study has identified the significant effect of the factors used in the study on consumers' purchase decision for smart phones in Addis Ababa. Regarding the individual factors, the study has found out positive and significant effect of brand name, product feature and social influence at a significance level of 0.01. But effects of price and retail store image are insignificant in affecting purchase decision for smart phone in Addis Ababa. Based on the findings the researcher recommends that smartphone sellers to supply popular brands, aware product features and convince the buyers based on right information.

Keyword: consumers' purchase decision, smartphones

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In order to succeed in any business and especially in today' s dynamic and rapidly evolving marketplace, marketers need to know everything about consumers. Peter and Olson (2010) “ Marketers who have a thorough understanding of the consumer decision making process are likely to design products, establish prices, select distribution outlets, and design promotional messages that will favorably influence consumer purchase decisions” (Schiffman, 2007).

Consumers buying behaviour determines how consumers decide to buy products and what are the various factors responsible for this decision. The central focus of marketing is the consumer. The term “ consumer” can describe either individual or organizational consumers. Individual consumers purchase goods and services to satisfy their own personal needs and wants or to satisfy the need and wants of others. Organizational consumers purchase goods and services in order to: produce other goods or services, resell them to other organizations or to individual consumers, and help manage and run their organization (Kardes, 2011).

Consumer decision making means a consumer make a choice between more than one option of goods or services. Today, Customers are in a tough spot individuals have exposed to different window of information and varieties of products; many great deal of choices and options available in the market place impulse their purchase decision. In the most general terms, a decision is the selection of an option from two or more alternative choices. In other word, for a person to make a decision, a choice of alternatives must be available. The presence of choice provides an opportunity for consumers to make decisions and it can be a very good business strategy for a firm to increase a sale (Schiffman, 2006).

Billions of cash were spent by large companies and firm each year for just studying the behavior of the consumers. For those companies, to get hold of consumer behavior, means to get hold of sales. Some company even hire researchers to scan human brain just to find out the behavior of consumers. As studies in consumer behaviour getting deeper, researcher found that marketer may influence their buying behaviour but not control. (Yakup, 2011). The study of consumer never ends due to the reason of technology. Technology like telecommunication is getting more and more modern where the behaviour of consumer is getting complex as the need of consumer increase as technology increases.

A smart phone is a multifunctional electronic device which has various features which are not available in a simple mobile phone. According to Cassavoy (2012), “ Smartphone can be defined to be a device that enables the users to make telephone calls and at the same time has some features that allow the user to do some activities that in the past was not possible unless using a computer or a personal digital assistance(PDA) such as sending and receiving emails or amending an office document. Smart phones are becoming hand held computers because we can do many operations on smart phones which we use to do on computer. Smartphone needs to have the ability to make use of small computer programs called applications or apps (Weinberg, 2012).

Rakesh (2016) explored that there are eight major factors (price, product features, relative advantage, convenience, compatibility, social influence, dependency and brand name). However, social influence, dependency and brand name are the most significant factors to affect consumers purchase decision in buying smartphones.

Another study carried out in Malaysian students tried to explore the effect of seven factors effect on mobile phone selection (innovative features, image, price, personal recommendation, durability and portable aspects, media influence, and post-sales service) among the seven inventory of variables the study found that innovative features, personal recommendation and price was important.

This study has tried to identify factors affecting the consumers’ purchasing decision for smartphones in Addis Ababa, Ethiopia.

1.2 Statement of the problem

Marketers who understand their consumers through research can create better products and services, promote their products and services more effectively, and develop marketing plans and strategies that foster sustainable competitive advantages. Understanding of consumers' behavior enables marketers to predict what motivates people to buy and then to deliver products that respond to those motivations, thereby successfully meeting and exceeding customer expectations over time (Kardes, 2011)

According to Schiffman (2006) to be successful, a company must determine the needs and wants of specific target markets and deliver the desired satisfaction better than competition. Companies that understand their customers are the ones that continue to grow and remain leaders in their industries in spite of increased competition and changing business environments. Smart companies find out what consumers need is, and what factors or variables consumers take into consideration while they make a choice among alternatives or brands. They know profits come through consumers' satisfaction or through making available or supply products according to the criteria that consumers specify.

Ethiopia has witnessed fast economic growth and development in mobile telecommunication penetration in recent years. Due to these reasons, there is a dynamic increase in the number of mobile phone users. This attracted large number of International firms to enter into mobile industry and offer various brands of Mobile phones. However, the choice of consumer is diverse due to various factors associated with consumer behaviors. In this "technology savvy" era it is very difficult to study, analyze and interpret consumer purchase decision. Smart phone companies as well as telecommunication providers even willing to financially invest in order to study their respective potential consumers purchasing behavior.

Investigating which factors are most highly considered by consumers of mobile phones provide a great opportunity for importers/manufacturers of this sector to provide the right consumers benefit or choice and thereby guarantee their competitive advantage. The researcher has identified that there are no studies conducted on factors affecting purchase

decision in Addis Ababa in the case of smart phones. Therefore, this research is intended to study the consumer purchase decision towards smart mobile phones.

1.3 Research Questions

This study tries to answer the following basic questions:

- What is the effect of the brand name on consumers' purchase decision for smart phones in Addis Ababa?
- What is the effect of price on consumers' purchase decision for smart phones in Addis Ababa?
- What is the effect of product features on consumers' purchase decision for smart phones in Addis Ababa?
- How social influence affects consumers' purchase decision for smart phones in Addis Ababa?
- How retail store image affects consumers' purchase decision for smart phones in Addis Ababa?

1.4. Objectives of the Research

1.4.1. General Objective

The general objective of this study is to examine the factors that affect consumers' purchase decision for smart phones in Addis Ababa.

1.4.2. Specific Objectives

The specific objectives of the study include the following

- To identify the effect of the brand name on Consumer buying behaviour of smartphones?
- To assess the effect of price on Consumer buying behaviour of smartphones?
- To explore the effect of product features on Consumer buying behaviour of smartphones?

- To examine the effect of social influence on Consumer buying behaviour of smartphones?
- To assess the effect of Retail store image on Consumer buying behaviour of smartphones?

1.5 Scope of the study

The study is geographically limited to city of Addis Ababa and then in main smartphone selling areas of Addis Ababa "Bole", " Piassa" and " Merkato" only, due to the cost and difficulty to maintain large number of population of the whole Ethiopia. conceptually the research is scoped to assessing the factors that affect purchasing behavior of consumers of smartphones.

1.6 Significance of the study

This study will be important to the Importers/manufacturers of smart phones through identifying consumers need and buying considerations of smart mobile phones thereby providing it to the market accordingly enables them to maximize profits through consumers' satisfaction. this study can be used further studies in this area.

1.7 Limitation of the study

The primary limitation for this study is absence of sufficient related studies that were conducted on factors affecting consumers buying decisions of smartphones especially in Addis Ababa. The geographical coverage of this study can prohibits generalization of the results to other areas of the country and hence can be taken as a limitation.

1.8. Organization of the paper

The study is organized in to five chapters. Chapter one of the study contain introduction, statement of problem, objective of the study, significance, and scope and limitation of the study. The second chapter deeply discusses the theoretical and empirical reviews of literatures related to consumer behavior, the influence of the various factors on purchase decisions in general and on smart mobile phones in particular. Chapter three focuses on research design and methodology of the study. Chapter four present result and discussion

on the data analysis. The last chapter presents summary of the findings, conclusions, and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITRATURES

2.1 Theoretical Review

2.1.1 Definition of Terms

2.1.1.1 Marketing and Marketing Concept

American Marketing Association board has approved the definition of marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that having value for customers, clients, partners and society at large (Association, 2013).

The marketing concept is marketers can sell more if they produce the consumer needs and wants than to produce what they want to sell. In marketing concept consumer needs and wants became the firm' s primary focus. Hence basically marketing concept is a philosophy of consumer oriented" (Schiffman, 2007).

2.1.1.2 Consumer behavior

Consumers are individuals and households that buy the firms product for personal consumption. " The field consumer behavior is rooted in a marketing concept. Consumer behavior is much more than buying things, it also embraces the study about how having or not having things affect our lives, and how one possessions influences the way we feel about ourselves and about each other-our state of being" (Naresh K. Malhotra, 2007).

"The field of consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on consumer and society" (Delbert Hawkins, 2010).

Consumer purchasing behavior refers to the buying behavior of the ultimate consumer. Consumer buying behavior is the sum total of a consumer' s attitudes, preferences,

intentions and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service (Rani, 2014).

2.1.1.3 Consumer Decision Making

A decision is the selection of an option from two or more alternative choices (G.schiffman K. a., 2006). Put it in other words, for a person to make a decision; a choice of alternatives must be available (G.schiffman K. a., 2006). The presence of choice provides an opportunity for consumers to make decisions and it can be a very good business strategy for a firm to increase sales (G.schiffman K. a., 2006).

Consumer behavior is a wide range of study about the decision making processes that a consumer make at the time of making a purchase. According to Kotler (2009) “ Consumer behavior is the study of how individuals or groups buy, use and dispose of goods, services, ideas or experience to satisfy their needs or wants” . In the early stages, consumer behavior was taken as buyer behavior that reflects the interaction between consumers and produces at the time of purchase but now marketers recognize consumer behavior as an ongoing process not only what happens at the time when consumer gives money and gains some goods or services (Solomon, 2006).

In the eye of marketers, a consumer is known as “ a man with a problem” Therefore a consumer purchase is the response to that problem. The process that a consumer takes in his decision making is quite interesting to most of the large companies. They are extremely trying to research the consumer buying process to find out what consumers buy, where and how they buy, when and why they buy. It is easier for researchers to find the answers for what, how, where, when and how much consumers buy but it is not that much easy to find why they buy. The reason is “ the answers are often locked within the consumer's head” (Kotler and Keller, 2009).

Usually a buyer passes through five stages to reach his buying decision. First the buyer notices the difference between his current state and ideal state and recognizes his want and need for something. A need can also be aroused by external stimuli. He/she starts searching the information for his/her desired product through different channels like family, friends, advertisement or mass media. After sufficient information is gathered, the

buyer processes the information to evaluate the alternatives brands in the choice set. Finally, he purchases the product which he assumes to be the best for him. After purchasing the product, the buyer will take further action to the marketer based on his satisfaction or dissatisfaction (Kotler, 2009). For purchasing a smartphone, a buyer goes to these five stages. These stages help the buyer to evaluate his/her needs, choose the best smartphone according to his/ her need and budget and purchase it.

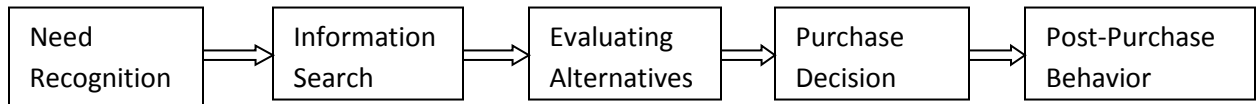


Figure 2. 1 Buyers Decision Process

2.1.2 The Hawkins, Best and Coney Model

Hawkins, Best and Coney (2004) regarded the consumer need is influenced by both external factors such as culture, subculture, demographics, social status, reference groups, family, and marketing activities and aspects such as perception, learning, memory, motives, personality, emotion, and attitudes that serve as internal factors.

Together, they form consumer self-concept and lifestyle, leading to needs and desires that drive the five-stage decision process, namely problem/ needs recognition, search for alternatives, evaluation of alternatives, choice/ purchase made, and post-purchase evaluation. Although the five stages decision process, which is similar to the Engel, Kollat and Blackwell model, views factors such as emotions as an influence, it still takes the assumption that consumer make purchasing decision in a rational manner, assessing alternatives before making a decision. Yet, previous experience as well as perception, learning, memory, motives, personality, emotion, and attitudes may affect the acquisition. Experience and acquisition may influence the internal and external factors, which would reinforce or change consumer self-concept and lifestyle.

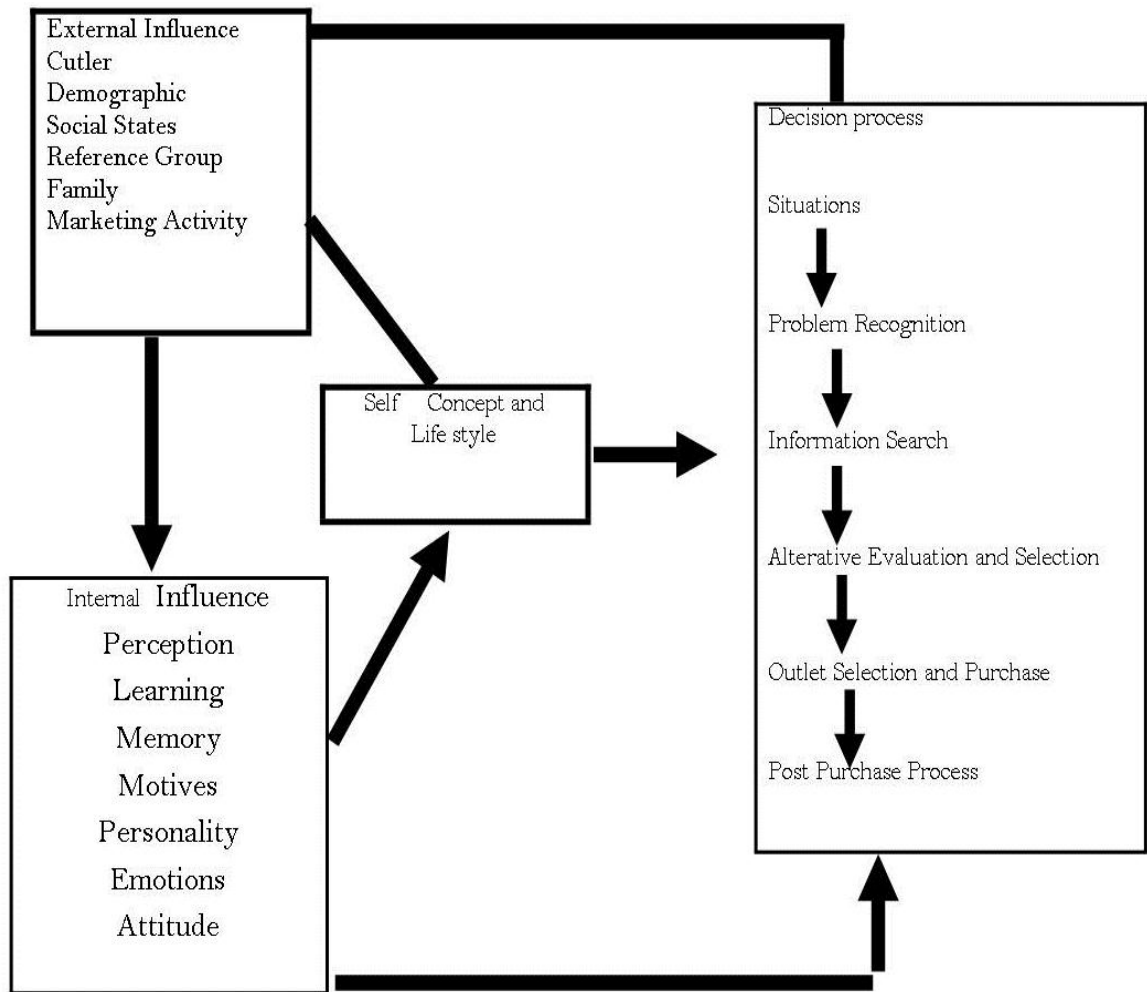


Figure 2. 2 Hawkins, Best and Coney Model (Hawkins, Best and Coney, 2004)

2.1.2.1 External Influence on Consumer Behavior Culture

Culture is the accumulation of shared meaning, rituals, norms and traditions among the members of an organization or society. A consumer's culture determines the overall priorities he/she attaches to different activities and product. It also determines the success or failure of specific products and services in the market. A product that provide benefit consistent with those desired by members of a culture at any point in time has much

better chance of attaining acceptance in the marketplace. Culture can be considered as a lifestyle which is then passed on from one generation to the other generation. Culture is not static. It is continually evolving, synthesizing old ideas with new ones.

Demographic

An age cohort consists of people of similar ages who have undergone similar experience. They share many common memories about culture heroes, importance of historic event and so on. Marketers often target products or services to one or more specific age cohorts. They recognize that the same offering will probably not appeal to people of different ages, nor will the language and image they use to reach them. Important age cohort includes teenager, 18-29 year olds, baby boomers and the elderly. Teenagers are making transition from childhood to adulthood, and their self-concept tends to be unstable. They are receptive that help them to be accepted and enable to assert their independence.

Social Status

Different products and stores are perceived by consumers to be appropriate for certain social classes (Munson and Spivey, 1981). Working class consumer tends to evaluate products in more utilitarian terms such as sturdiness or comfort rather than style or fashion. They are less likely to experiment with new products or styles. Each individual's social status or personality also influences the consumption behaviour. Personality can be defined as a set of unique human psychological traits such as confidence, autonomy, adaptability and defensiveness that leads to regular and continuous responses to external stimuli. A brand also has personality, a

Brand personality can be considered as the individual set of traits that we can attribute to certain brand. Buyers are more likely to choose brands that reflect their own. Usually, such possessions would be more obvious for public products than for private products available in market (Solomon, 2006).

Occupation and the social class have a powerful impact on buyer's decision. The different Categories of social class are as following:

Upper class- they are social elite, leaders in business

Upper middle class- they are mainly professionals and business people

Middle class- they are the white-collar workers and small business owners

Working class- they are blue-collar workers

Lower class- they are the unskilled, poorly educated and socially disadvantaged people.

People who are from an upper-class family will undoubtedly consume more on products and services while people from a lower class will spend more cautiously and wisely on products and services in market.

Reference Groups

A reference group is an actual or imaginary individual or group conceived of having significant relevance upon an individual evaluations, aspiration or behaviour. Reference group influences consumers in three ways. These influences are informational, utilitarian, and value expressive.

Although two or more people are normally required to form a group, the term reference group is often used bit more loosely to describe any external influence that provides social cues. Reference group that affect the consumption can include parents, fellow enthusiast, team members, classmate etc.

A reference group can take the form of a large, formal organization that has a recognized structure, regular meeting times and officers, or it can be small and informal, such as a group of friends or student living in hostels. In smartphone market, companies tend to have more control over their influencing of formal group because they are more easily identifiable and accessible.

Family

Family is considered as the most important consumer consumption organization in society, and members of a family constitute the most influential primary reference group.

Family members play certain roles in the decision-making process, namely the information gatherer who has the influence on how and where information is gathered, the influencer who has the influence on different brands are evaluated, the decision maker who has the influence on which product will be bought, the purchasing agent who makes the purchase, and the user of the product.

There are two families in the buyer's life. The family of orientation consists of parents and children (single-parent families and childless families are included). From parents, an individual acquires an orientation toward religion, economics, personal ambition, and self-worth. Such influence on behaviour can be significant and continuous even though the buyers do not interact often with their parents.

Marketing Activities

We are surrounded by marketing stimuli in form of advertisement, shops and products competing for our attention and our cash. Popular culture, the music, films, sports, books and other forms of entertainment consumed by mass market is both a product of and an inspiration for marketers (Solomon, 2006). For smartphone marketing, manufacturer use social media tools and television advertisements to influence the consumer in purchase decision making. Manufacturers also try to engage consumers in activities like gaming and competitions for promotion of their product.

2.1.2.2 Internal Influence on Consumer Behaviour Perception

Perception refers to the many different ways that an individual can sense external information, select particular sources of information and how they interoperate this information (Belch and Belch, 2009, p118). This means that the people who have the same motivation and are in the same situation may not act the same because they perceive the situation differently. Perception is the process by which people select, organize, and interpret information to form the image of certain things. People perceive the same situation differently because they interpret and organize information uniquely. In smartphone market, perceptions are more important than the reality, as it affect

consumer's actual behaviour. There are three processes that explain why people from different perceptions with the same object.

1. Selective attention; Selective attention is the process that people screen most stimuli out as the capacity to process stimuli is limited. For instance, average Indians may be exposed to over 1,500 ads, which indicate that marketers have to try their best to attract consumers' attention. People are more likely to notice stimuli that relate to a current need, that they anticipate, and whose deviations are large in relationship to the normal size of the stimuli.

2. Selective distortion; Selective distortion presents the tendency for people to interpret information that match to the presumptions. Consumers often distort information to support their existing belief and expectations. Selective distortion can be helpful with strong brands when consumers interpret neutral or ambiguous brands information and make it more positive.

3. Selective retention; Selective retention implies the tendency that people forget much of the information that they are exposed, but they still retain information that matches their attitudes and beliefs. It explains why repetition is necessary to avoid information to be neglected.

Learning

Learning induces changes in consumers' behavior arising from experience. Actually most human behavior is learned. Learning is formed through the interplay of drives, stimuli, cues, responses, and reinforcement. A drive is a strong internal stimulus that propels actual action. Cues such as advertising are minor stimuli, which determine when, where, and how a person responds. Response is an effort that people make to satisfy the drive by obtaining a product. Reinforcement happens once a consumer has bought the product and is satisfied after using it.

Memory

All the information and experiences people confront, as they go through life, become part of the memory. Consumer brand knowledge can be considered as a spreading activation process in the memory network with a variety of linked associations that determines how people retrieve and what information people can recall in the given situation. These linked associations are important determinants for people to recall about the brand, including brand-related thoughts, feelings, perceptions, images, experiences, beliefs, and attitudes, etc.

Motivation

Abraham Maslow tried to explain why people are driven by particular need at particular times. He placed needs in a hierarchy, which is called Maslow' s hierarchy of needs. He identified five levels of needs from the most to the least pressing.

The first level of Maslow' s hierarchy of needs is physiological needs, which is the basic level of all needs including food, water, and shelter. People will always try to satisfy their most important needs first; the second level of Maslow' s hierarchy of needs is called safety needs. When basic needs are satisfied, people will strive for security, stability, and freedom from fear; the third level is social needs, where people consumers will try to satisfy their needs for friendship, belonging, and affiliation. Such emotional security is valued by other people in social circles; the fourth level of Maslow' s hierarchy of needs is esteem needs that individual and status, to be superiority; self needs and has to do with self-development and realization. In Maslow' s hierarchy of needs, a person tries to satisfy lower level need first, when that needs are satisfied, the person will then satisfy the next most important need.

Personality

Personality describes a person' s disposition, helps show why people are different, and encompasses a person' s unique traits. The “ Big Five” personality traits that psychologists discuss frequently include openness or how open you are to new experiences, conscientiousness or how diligent you are, extraversion or how outgoing or shy you are, agreeableness or how easy you are to get along with, and neuroticism or how

prone you are to negative mental states. Marketers have had better luck linking people's self-concepts to their buying behaviour. Marketing researchers believe people buy products to enhance how they feel about themselves to get themselves closer to their ideal selves.

2.1.2.3 Social concept and Lifestyle

According to the model, all the external influence and internal influence on consumer result in their social concept and lifestyle choice. Lifestyle of a consumer refers to a pattern of consumption reflecting their choices as how they spend their time and money; it also refers to the attitudes and values attached to these behavioral patterns (Solomon, 2006). According to Kotler et al, "Lifestyle is a person's pattern of living as expressed in his or her activities, interests and opinions". Lifestyle captures a person's whole pattern of acting or networking in the world more than profiling a person's social class or personality. (Kotler et al, 2009). Life style and social concept of consumer influenced by their external and internal influence result in the decision making process for the product based on need and desire.

2.1.3 Decision Process

Problem Recognition

Belch and Belch (2009) also discuss how a need isn't necessarily something that a person wants but can be something that a person must have in order to facilitate their way of life. This stage of the model is centered on what drives consumers to start shopping for products (Workman and Studak, 2006). Problem recognition occurs whenever the consumer sees a significant difference between his or her current state of affair and some desired or ideal state. The consumer perceives there is a problem to be solved, which may be large or small, simple or complex. A person may be tempted to acquire that product by advertisement or by other social or physical medium, which triggers the thought about purchasing. Need recognition can occur in several ways. The quality of person's actual state can be diminished simply by running out of Product, by buying a product that turns out not to satisfy needs adequately, or by creating new needs.

In case of smartphone, consumers may want to upgrade their smartphone to enjoy new features or to buy a smartphone for their daily work need or to connect to social network or for his/her social status.

Information Research

Mihart (2012) discuss how information search usually starts with an “ internal search” and a customer will identify products that they are already aware of known as the evoked set. The “ external search” aspect of information search relates to information obtained from external sources, which can include packaging and marketing communications. Once the problem has been recognized, consumer will need adequate information to resolve it. Information search is the process by which the consumer surveys his or her environment for appropriate data to make a reasonable decision. A consumer may recognize a need and then search the marketplace for specific information related to the product. Information sources can be roughly broken down into two kinds: internal and external. Internal search is the use of own memory band to assemble the information about the different product alternatives whereas External search are the information obtained from advertisements, friends etc. There are many Information sources by which a person can get the information like friends, family, neighbors, websites, trader, and display in shops, promotions and mass media. In case of smartphone Information about the product is collected via many source like, Friend and family, online review of the product etc.

Evaluation of alternatives

According to Belch and Belch (2009) this part of the decision making process refers to when a customer refers back to the evoked set“ to evaluate whether or not another product can help solve their problem”. In evaluation of stage, the product the product alternatives that are considered comprise the individual’ s evoked set. Consumers will improve their own evaluation standard based on the information they acquired in from information search. Members of the evoked set usually share some characteristics; they

are categorized similarly. The way products are mentally grouped influences which alternatives will be considered, and some brand are more strongly associated with these categories than are others.

In case of smartphones; Individual analyzes many alternatives before buying a smartphone. There are various brand of smartphone as well as various price categories which have different features and specifications; the basis of categorization for an individual is by price range or by features and brand.

Purchase decision

Belch and Belch (2009) describe this point in the process as when a customer makes up his/her mind on what product his/her wishes to purchase, ultimately this is the „end goal“. In the stage of purchase decision, after evaluating the alternatives and selecting product according to the desire the consumer solves his/her problems and satisfy his/her needs and buy the product. This purchase decisions is influenced by many factors like reference groups, acquaintance, friends and family. It' s also possible that if the consumer has a positive toward any certain brand then the consumer might intend to buy the product of that brand only.

In case of smartphones; consumer make their purchase decision by analysing the newly introduced smartphone in the market. Consumer rarely buys old models in the market. Consumer prefers new models because of new technology and new features. For the consumer who loyal to the brand always goes back to the brand as it satisfy his/her demand. For example: Apple, Sony,Huawei and Samsung.

Post-purchase Behaviour

Belch and belch (2009) describe purchase evaluation as the point in the process where the customer looks to evaluate if the purchase met expectations, exceeded expectations or left them disappointed. After the purchase of the product, the consumer evaluates and analyses the product from the using experience and its performance. If performance does not meet the expectations of the consumer then the consumer gets disappointed and try to search for way to minimize the dissatisfaction or replace the product; if the product meets

expectations of the, then the consumers is satisfied and continue using the product happily; if the product go beyond expectations of the consumer then the consumer is delighted and the chance of repurchase of that product or the product of that brand will be higher. The consumer will also talk and share about the product to others positively.

In case of smartphone; the consumer after buying the smartphone use it and analyze its functions and with a proper use they analyze if the product is satisfying their demand or not. Consumers also rate the smartphone on the websites and also post comment about their experience in using the product. If they like it the result is positive if not they the reviews are negative and this helps the other customers in buying the products.

2.1.4 Marketing Mix

Peter and Olson (1994) stated that the marketing mix consists of product, price, promotion, and channels of distribution. These are the primary elements marketing managers can control to serve consumers. The aim is to develop a consistent mix where all elements work together to serve the target market or markets the company has selected. Etzel et al.

Each component of the marketing mix has a direct or indirect impact on the buying process of the consumers. The four marketing mix has different ideas in terms of consumers perspective. The 4Ps will be 4Cs by the side of consumers. Price will be the cost for the consumer to attain the product. The product viewed by the customer as the value that satisfies the consumer need or want. The consumer requires easy and convenient situations to acquire the product which is place by marketer' s perspective and mutual communication to be well informed about the product (Shahram Gilaninia, 2013).

Product: according to Kotler product is defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need (kotler, 2005).

Product classification can help marketers to focus their efforts and attentions based on the consumers' behavior, products broadly classified as consumer products that are bought

by the final consumer for personal consumptions and business products are sold to other businesses as or used to produce other products (NCERT, 2012). The attributes of products, including brand name, quality, newness, and comfort, can affect the consumer behavior in addition the physical appearance of the product, packaging and labeling can also influence whether consumers notice a product in store, examine it, and purchase it (Owomoyela S K, 2013).

Etzel et al. (2001) challenged that strategies are needed for deciding what products to offer, managing existing products over time, and dropping failed products. Strategic decisions must also be made regarding branding, packing, and other product features such as warranties. A study in Pakistan by Najmi et' al.(2014) showed that product's warranty has a significant impact on preferences towards brand.

Price: price is a flexible and influential element, which determines the revenue/profitability/ market share for the organization. On the customer' s point price is a determinant factor since they consider the price of a product according to their income level before they buy the product. The concept of price constitutes two different types: the monetary price a payment of certain sum by the consumer and social price which is the additional effort that the customer must make in order to obtain access to a product (Arachchige, 2002).

Price differs from the other three marketing mix; Product, distribution and promotion are all part of the process of providing something satisfying to the customer which contributes to the product being value to customers. Value refers to the benefits or satisfactions of needs and wants. Price mix includes retail/wholesale price, discounts, trade-in allowances, quantity discounts, credit terms, sales and payment periods (Londre, 2009). Other competitive factors being equal the further the price is above the industry average, is the harder for a company to use non price enticements such as quality and style of footwear to overcome consumer resistance to higher prices. On the other side companies should take due consideration on the effect of the lower price not to be negated by the other factors, since low price alone will not attract buyers (Arthur A. Thompson, 2010).

According to Kotler (2003), no matter how a product is, some people will be unable to pay more than a certain price. Others may be able to afford it but believe that another way of that spending sum of money would give them greater satisfaction. Conversely, simple being cheap is not enough; the product must come up to some level of expected performance. In some situations, (luxury goods), a high price may even make the product more desirable than a lower price. Price is only one of the several costs faced by consumers. Other purchase related costs include the time spent, displacement cost and emotional costs. However, price is the cost that consumer can best determine, and thus plays an important role in their decision.

In retail markets, consumers are value driven, where value is considered a tradeoff among price and value. Price can serve as an indicator of quality for consumers. (Walters and Bergile, 1989) states that price serves as an indicator of product quality, identifies the good buy and determines the affordability for consumers. Price is the most important criteria consumers' use however there is a variation in the importance as an evaluation criteria across both consumers and products (Engle et' al., 1993).

Place: place is a mechanism through which goods and services are moved from the service provider and manufacturer to consumer. Place mix includes distribution channels, warehousing facilities, mode of transportation and inventory control management. Place generally referred as distribution channel. Place can be physical stores or virtual stores. The process involved to transfer products from manufacturer to the consumers is physical distribution (Singh, 2012). It is necessary to have a clear understanding of what, how, why, where, and when customers purchase, the waiting time to purchase, the convenience that facilitates the customer' s buying, product variety and the service backup to design the distribution channel. Distribution can be performed by single supplier or multiple intermediaries (Arachchige, 2002). Typical supply chain consists of four links in the chain: Producer/factory/manufacturer, distributor, wholesaler, and retailer (Londre, 2009).

Promotion; Promotion is the component of the marketing mix that communicates information to potential customers. Decision regarding advertising, personal selling, publicity, public relations, and special promotional activities such as trade shows and product displays are part of this quarter of the marketing mix (Kinnear et al., 1995).

Promotion refers to the variety of ways marketers communicate with consumers about products to influence their affect, cognitions, and behaviors (Peter and Olson, 1994)

Marketer needs to plan strategies to attract the present and potential customers to the product. Product awareness with wholesalers, retailers, suppliers and others is made through various communication tools. The customer awareness is mostly done through company image and publicity. The message for the promotion is designed to get attention, hold the interest, arouse desires, and to perform action to buy. An appropriate tools must be designed for promotion, the most popular tools are advertising, sales promotion, public relation and publicity, sales force and direct marketing (Arachchige, 2002).

Retailer dealers can be an important information sources, advertising on the part of footwear producers strengthens brand awareness, inform people about the features and prices of their latest styles and models. Footwear companies can enhance the brand image of a company through endorsement from appealing celebrities and appear in a company advertising (Arthur A. Thompson, 2010).

Retailing mix: Retail marketing mix includes all the goods and services a store is able to offer to its consumers and also all the programmed efforts of the managers that adapt the store to market environment (Lazer, 1961). Retail market refers to a place where a group of consumers with similar needs and a group of retailers meet using a similar retail format to satisfy those consumer needs. Retail marketing mix defined as marketing tools that a retail organization uses to pursue its marketing objectives (NCERT, 2012).

Retailing mix consists of six Ps that are the four Ps of marketing mix (Product, Price, place and promotion) in addition presentation and personnel.

Presentation: the presentation of a retail store helps determine the store' s image and position in the consumer mind. The presentation mixes are the atmosphere, the overall impression conveyed by store' s physical layout, decor, and surrounding (Charles Lamb, 2013). Elements that mostly affect the store atmosphere are number if staffs, types of goods, fixture, density, music scent and visual factors. The design and layout may affect consumer' s emotion and as result of that the consumer' s purchasing behavior also affected (Noermijati, 2013). The manner items is arranged on a shelf or table, in a display,

the space and position given to it, and type of point of sale promotional materials such as posters, signs and others used as influencing factors (Applebaum, 1951).

Personnel: the people working for company determine the level of service or value the company provides to the customer. Personnel are people that are differentiators as compared with the competition whether it is pre sales, sales or post sales activities (Jhureley, 2010). The Roles, attitudes, behaviors, and friendly personality have bigger role in the success of sales of footwear (Noermijati, 2013). Footwear retailers and their store personnel want to deal with a footwear supplier that works closely with them. Providing information to store personnel about particular styles, models and features will help to increase sales since a well informed and knowledgeable personnel can communicate easily with the customer (Arthur. Thompson, 2010).

2.1.5 Characteristics of Smartphones

A smartphone is a mobile phone that integrates a feature phone and a mobile computing platform, and the models today even combine functions such as digital cameras, media players, high-speed data access via Wi-Fi, GPS navigation, and other applications with option to download application through application market. Typically, smartphones also comprise web browsers and high-resolution touchscreens, which provide people better viewing and browsing experience.

In its simplest form, a smartphone is a mobile phone with built-in, add-on applications and Internet (3G network) access. However, because of its capability to handle a great amount of applications and functions at the same time - the concept of a smartphone slowly transitioned into definitions of a handheld computer. The great differences between the available brands and models on the market today are the operating systems platform. The smartphone becomes more than a device for sending and receiving text messages and calls as it consists of various ways to interact with other users in a more personalized manner, compared to the traditional mobile phones.

While an old-style feature phone includes some basic software such as an address book and games, a smartphone has the ability of further performance. One of the significant differences between a feature phone and a smartphone is that a smartphone can install

third-party applications from applications store. Users are able to download and install application on their operating systems, such as time schedule, navigators, personal finance managers and games. Generally, a smartphone is based on a certain operating system that allows phone users to install applications on it. Systems include Apple' s iOS, Google' s Android, Microsoft' s Windows Phone etc. The core applications of smartphones consist of cellular voice, data, and PIM (personal information management) applications such as calendars, contact managers, tasks, notes, e-mail. These applications must work together seamlessly and with the features of the phone. For example, pictures taken with the camera can be linked to the address book so that users can see who is calling. Navigation software uses addresses stored in the address book in combination with GPS data to facilitate data entry. E-mail clients are integrated with address book.

2.2 Empirical Review

2.2.1 Factors that affect purchase of Smartphones

Factor that affect consumer to making decision when purchasing is always an interesting topic among the researcher. Theories and fact have been created to prove how consumer act and behave when making decision in purchasing goods. Utility theory which state that consumer make decision based on the expected outcomes of their decision is the first formal explanation of consumer decision making developed by Bernoulli. (Michael R, 2005). Based on consumer with rational act but not all consumer was rational and even one have no consistent rational. This is heavily influenced by other factors such as environment factors.

Alba, Hutchinson, & Lynch (1991) state that most consumer decisions are necessarily dependent on memory and thereby range from the purely memory-based to mixed Memory is something that deep in our brain where it records the life of a person and the experience of a person. Influence by those records experience, memory starts to act and behave differently either positive or negative naturally. Memory theory affects the brand salience. Brand salience defines as“ the prominence or level of activation of a brand in memory” (Alba and Chattopadhyay, 1986). When consumer purchasing a goods, he/she actually depends on his/her own memory, the better the brand salience in the consumer

mind, that particular brand will have a better chance to be purchased. This insists that brand has high influence in the demand of smartphone market.

Supply and demand is perhaps one of the most fundamental concepts of economics and it is the backbone of the market economy. According to the Law of Demand, demand is the quantity of a given product that people will be able and willing to purchase at a particular price. As a rule of thumb, the higher the prices of a certain products, the lower the demand for it will be the relationship between price and quantity demanded is known as the demand relationship. The price therefore is a reflection of demand in terms of the demand law (Jasuaverdez. 2011). Theory of materialism is also one of the theories supporting the factor of price. It explains that the consumer will perceived high value on all luxury product, which including high innovative or new technology product, because this kinds of products are usually charge at unreasonable high price (Vitzthum, 1995 ; Lange, 1925). These two theory explains how price act as a major factor in the market.

Theory of social impact develop by Lante in 1981 shows more and more influence in recent days. This theory describes social impact in terms of social force fields that impinge upon us, pushing us to think or behave in a particular way (Jeffrey M J,1987). This influence the smartphone market as people tends to think smartphone as a better phone.

A study made by Uddin et' al.(2014) in Bangladish, Khulna city about the factors affecting customers buying decision of mobile phone Their result indicates that although price, charging and operating facilities ,size and weight, friends and colleagues recommendations ,neighbors recommendation, and advertising have significant influence ; the most important factor is physical attributes of the mobile phone . According to the study of the university students in India (Narwal, 2014), comparatively product attributes have more influence than reference group influence on purchasing of cell phones Another study which examined the influence of the product feature on purchase decisions of mobile phones on university students by Siddique et' al(2013), found that internet facility, multimedia, long lasting battery, camera, brand recognition, performance and color of mobile handset mostly persuade purchasing decision and external memory

capacities, warranty period, price, customer-care service, phone memory capacities have some influence on purchasing decisions.

Above all these factors, yet there are other motives for consumer to behave differently when purchasing a smartphone. In a survey revealed by BDS Marketing in 2012, statistics showed that 26 percent of smartphone buyers purchased a different brand of phone originally intended to purchase once at the store. Sean Wargo, Sr. Director of Business Intelligence for BDS says: “ Sales and promotions in the store do have an impact, but so does the associate, making them key component of the selling process and an important target for in-store marketing efforts.”

2.2.1.1 Brand Name

In the modern age, brand plays an important role to boost up the economy of any country (Shehzad, 2014). In this busy life people need a brand as shortcuts for identification and selection of products (Shehzad, 2014).

Brand name is frequently perceived by consumers to be an indicator of product or service quality (D.Lindquist, 2003). The more difficult it is for consumers to judge quality, the higher the perceived risk (D.Lindquist, 2003). If consumers can rely up on brand reputation for that quality assessment, they perceive less risk (D.Lindquist, 2003).

A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition (Keller, 2003)

A brand is a name consists of words, letters, and/or numbers that can be vocalized (Chunawalla, 2011). A brand is a promise of the seller to deliver a specific set of benefits or attributes or services to the buyer (Chunawalla, 2011). Each brand represents a level of quality (Chunawalla, 2011). A good brand name should be distinctive (unique, easy to remember, and has a distinguishing features), suggestive (of quality, or may be associated with superiority or a great personality), appropriate (in the minds of consumers), easy to remember (easy to read, pronounce and spell), adaptable to new products, and register able (Chunawalla, 2011).

Brands are more than just names and symbols. It is also the element of relationship between company and customers (Kotler and Armstrong, 2010). The brand name has directly influenced customer's perception toward the quality of the offering. When customers are satisfied, they generate word of mouth and it will lead to others to be interested and choose the brand (Azad and Safaei, 2012). To enhance consumer response, marketers strive to build brand equity in order to capture consumer preference and loyalty.

Brand has various roles to consumers as: identification of sources of product, assignment of responsibility to product maker, risk reducer, search cost reducer, promise/bond with maker of product, symbolic device, and signal of quality (Keller, 2003).

2.2.1.2 Price

“ Price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service” (Kotler and Armstrong, 2010). The value of money varies from different people. Some might think it is valuable for a high price but others might think it does not worth for the value of money. There are so many methods of pricing, such as mark-up pricing, target-return pricing, perceived-value pricing, going rate pricing and promotional pricing (Kotler and Keller, 2012). If the discount rate is low, it should be presented in its value; whereas if the discount rate is high, it should be presented in percentage, so that customers will have higher purchase intention (Isabella, 2012).

From the consumers' perspective, price provides a source of information for buyers to judge product quality (Carpenter, Glazer, and Nakamoto 1994; Sivakumar and Raj 1997), especially in cases where they are purchasing highly innovative e products and lack the knowledge required to objectively evaluate the product/technology.

2.2.1.3 Product Features

Feature is an attribute of a product to meet the satisfaction level of consumer's needs and wants, through owning of the product, usage, and utilization of a product (Kotler et.al. 2009). Features or product features are characteristics that supplement the product's basic function(Philip Kotler, 2009). Marketers can identify and select new features by

researching customer needs and calculating customer value verses company cost for each potential feature (Philip Kotler, 2009).

Product features which is important element by the reason of consumers purchase the goods for expected satisfy their need and achieved their satisfaction level. Neoclassical school has pointed out the utility function of the consumptions.

Product features including hardware and software. Hardware is the description for a device that can be touched physically. The hardware of a Smartphone is the body of the phone itself, size and weight. Color and design are also considered as hardware as it is the physical appearance of the Smartphone. Software whereas is the general term for computer programs, procedure and documentation. The software of a Smartphone is the operating platform, storage memory, or apps that run the phone. The software for a phone in the market is such as iOS, Android, windows.

According to Jainarain (2012), consumers make comparisons between the competitive brands based on the consumer choice in featuring the products significant attributes. This bring to the light the fact that there is significant importance of the basic functionality of product in determining the consumer choice of smartphone, as stated by him, the attributes can be split into tangible such as actual functionality, new features, appearance.

Similarly, a study conducted by Liu (2002) in the Philippines showed that choices of the smartphone brands are influenced by the new technology features such as SMS-options and memory capacity, more than size. Due to the fact, findings support that all competing brands have a almost similar sized phone that are small enough. The choice trend is actually be not towards the size of the phones, but is towards phone with the better capability and larger screen (Liu, 2002). Instead of the better capability and large screen, Yun, Han, Hong and Kim (2003) investigated the look and feel of fifty different mobile phones using a consumer survey. The study found out seventy eight participants choose the design of phones on the perceived scale of image characteristics, including luxuriousness, simplicity, attractiveness, colorfulness, texture, delicacy, harmonious, salience and overall satisfaction. The main findings of the study stated the image and

impression characteristic of the product is closely specification as well as the overall shape of the product in demanding the phone.

Same study carried out by the Han, Kim, Yun, Hong and Kim (2004) in a user study of 65 design features to overall satisfaction and “luxuriousness”, “attractive” and “harmonious”. They found that a number of design features contributed, such as phone size and weight, color, material, button shape and interface features influence the choice of users buying decision. Product design and features affected the consumer choice of phone strongly supported the statement in Ling et al. (2006) examined user’s preference levels with five mobile phone design features namely camera, color screen, voice-activated dialing Internet browsing and wireless connectivity. The results showed that color screen, voice-activated dialing and internet browsing feature predict users’ satisfaction level.

Smart phones offer larger and higher resolution screens and provide consumers with a tremendous array of features, including mobile web browsing, thousands of applications, e-mail, instant messaging, picture messaging, video and audio playback, GPS, games, a video camera, picture and video editing and much more.

2.2.1.4 Social Influence

In the Unified Theory of Acceptance and Use of Technology (UTAUT) model indicate three direct determinants of intention to use (performance expectancy, effort expectancy, and social influence) and two direct determinants of actual use (intention and facilitating conditions) (Venkatesh et al., 2003). Social influence among the three direct factors of behavioral intention to use smartphone technologies is recognized as an important factor (Bhattacharjee, 2004). Social influence includes not only mass media reports and expert opinions (external factors) but also word of mouth from friends, colleagues, and superiors (Bhattacharjee, 2004).

Verkasalo’s (2010) defines social influence as the degree to which people have the impression that important others ensure they would better use a new system. We consider the interpersonal factors as social influencers in this paper because Smartphone is

regarded as a new information technology mobile device which creates uncertainty about individuals expected consequences. Additionally, consumers tend to consult with their social network about this uncertainty rather than consulting the external factors such as media and expert opinions before making a decision to use Smartphone (Lopez-Nicolas et al., 2008).

However, Verkasalo (2010) suggests that the social norm influences intention to use a Smartphone indirectly through influencing the perceived enjoyment. Kim (2009) states that social influence could affect the intention to use a Smartphone via influencing the perceived usefulness. Shin (2010) also indicates that social influence has a positive influence on the attitude towards Smartphone purchasing.

Forbes magazine (Parmy Olson, 2012) mentions statistics of a research by Nilesen, that 48% of American children below the age 12 have the Apples iPad as number one in their wish list for gifts. The growing trend, among the Apple users in the US is another indicator that how impact of other member of their society resulting in the need and demand for that particular product.

Smartphone had also made possible for us to remain connected with our friends and family all the time. Always connected to the Internet through a Smartphone provides a great instrument for individuals for constant communication resulting in great safety for children attending schools or going outside. The classic mobile phones provided this facility for long time but the Smartphone' s utilizing the same and providing additional convenient capabilities to communicate with children and know their whereabouts anytime.

The Smartphone has given an opportunity to individuals to act as a journalist at any point in time and real-time information to society. Smartphone features like the camera, video capture, access to social Websites and nature of always connected to the Internet enable individuals to capture any video at any time and share it with friends and family using social Websites and other Internet based options.

2.2.1.5 Retail store image

Retail stores have images of their own that serve to influence the perceived quality of products they carry and the decisions of consumers as to where to shop (G.schiffman, 2006). Retail store image and environment stems from the stores design and physical environment, pricing strategies, promotional strategies, and product assortments (provides variety to the consumer to choose from) (G.schiffman K. a., 2006).

A study that examined the effects of specific store environmental factors on quality inferences found that consumer perceptions were more heavily influenced by ambient factors (such as the number, type, and behavior of other customers in the store and the sales personnel) than by store design features (G.schiffman K. a., 2006).

A study of retail store image based on comparative pricing strategies found that consumers tend to perceive stores that offer a small discount on a large number of items (i.e., frequency of price advantage) as having lower prices overall than competing stores that offer larger discounts on a smaller number of products (i.e., magnitude of price advantage) (G.schiffman, 2006).

Clearly, the unique benefit that a store provides is more important than the number of items it carries in forming a favorable store image in consumers' minds (G.schiffman, 2006). The type of product the consumer wishes to buy influences his or her selection of a retail outlet (G.schiffman K. a., 2006).

Most studies of the effects of extrinsic cues on perceived product quality have focused on just one variable-either price or store image. When a second extrinsic cue is available (such as price and store image), perceived quality is sometimes a function of the interaction of both cues (G.schiffman K. a., 2006). When brand and retailer images become associated, the less favorable image becomes enhanced at the expense of the more favorable image (G.schiffman K. a., 2006). Thus, when a low-priced store carries a brand with a high-priced image, the image of the store will improve; whereas the image of the brand will be adversely affected.

The environment in a retail store is affected by the layout of the store, and to some extent, its location (G.schiffman, 2006). Retail's layout can have significant impact on the route a consumer takes in the store (G.schiffman K. a., 2006). There are several store lay-outs,

but the most common ones are the grid layout and the free-form layout (G.schiffman K. a., 2006). In the grid layout, there are well-defined parallel aisles at a regular interval; at the lack of the store are rows at right angles to the aisles. Signs and fixtures help consumers see where items are placed. In a free-form layout, the entire store is visible to the consumer. In-store stimuli such as the signs used, lighting, music, colors, shelf space, width of aisles, displays, and scent affect consumers’ impressions of the store and their purchase behavior (G.schiffman K. a., 2006).

As a general rule, assuming that the size of two outlets offering similar merchandise are the same, most consumers will go to the one that is closer or more convenient. If both locations are equally convenient, most consumers prefer the larger outlet (D.Lindquist, 2003).

2.3 Conceptual frame work of the study

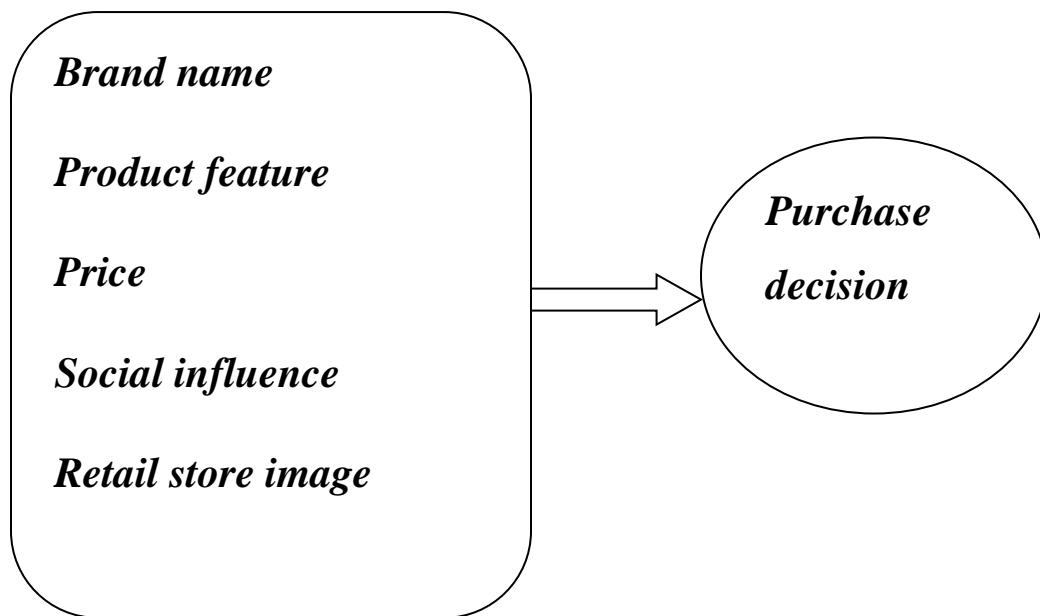


Figure 2. 3 Conceptual Frame work of the study, source (Mesay,2013)

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presented research approach, research design, describes the research methods, sampling techniques and the instruments employed in the data gathering, collection procedures and analysis methods.

3.1 Research Design

This research is descriptive and explanatory in nature as this research tries to investigate what factors at what level affect consumers buying decision behavior of smartphones. Descriptive studies are conducted to answer who, what, when, where, and how questions and measures association (Carl McDaniel, 2010). Explanatory studies investigate whether the value of one variable causes or determines the value of another variable, in an attempt to establish linkage between them and generally measures the level of impact of the independent variables on the dependent variable (Carl McDaniel, 2010).

3.2 Research Approach

A cross sectional descriptive and factor analysis survey was conducted in Addis Ababa city at 3 smartphone shopping areas. Those three shopping areas were selected from Bole, Piassa and Merkato, which represent all kind of customer type in Addis Ababa. Cross sectional survey is used since the independent and dependent variables are measured at the same point in time due to cost and time constraints. (Bhattacharjee, 2012). This research adopts a quantitative approach. Quantitative research enables to increase the degree of reliability and statistical analysis of the data (Carl McDaniel, 2010).

3.3 Target Population

The subject of the study or unit of analysis of this study is the people of Addis Ababa who are using Merkato, Bole, and Piassa to buy their smartphones. The rationale behind choosing Addis Ababa as a population of the study is that the people of the city are combination of different part of the country; they can represent different culture, religion,

social and economic background. The reasons for selecting areas of Merkato, Bole and Piassa are the fact that the usual shopping areas in the city are located on such areas and all kinds of customers can be found.

3.4 Sampling Technique

There are several ways in which potential participants can be selected for inclusion in a research study, and the manner in which participants are selected is determined by several factors, including the research question being investigated, the research design being used, and the availability of appropriate numbers and types of study participants (Geoffrey, p. 52, 2005). It is typically not practical to include every member of the population of interest in a research study.

Non probability convenience sampling was used at shopping intercepts of shopping centers which are located in three areas of the city. Convenience sampling is a technique samples drawn from population that are close to hand, readily available, or convenient (Bhattacharjee, 2012). Hence due to simplicity and inexpensiveness this research used convenience sampling method. The research used non probability sampling because it is difficult to estimate the probability that each respondent in the population has of being included in the sample. Non probability sampling can be used in small inquiries and researches by individuals, this design may be adopted because of the relative advantage of time and money inherent in this method of sampling (Kothari, 2004).

3.5 Sample Size

It is not possible to include all the participants in a study because of different constraints like time and resource. So determining sample size is a must. It is advisable to use a fairly large sample in order to obtain results which are representative of the population and sample size should meet the statistical requirements of a particular statistical analysis that the researcher wishes to conduct.

The sample size for this research was determined by the sampling calculation method suggested by Cochran (1963) inferring to the infinite number of population and confidence level at 95%.

$$SS = \frac{Z^2 pq}{e^2}$$

Where SS=Sample size

Z=the standardized value

P=level of variability

q=1-p

e=the level of precision

$$SS = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 384.16$$

The result from calculating the sample size is 384.16 samples which mean that the appropriate sample size for this study should be at least 384 samples. Among the 384 sets of questionnaires that were distributed, 372 questions - were filled and returned properly. So, the response rate was 96.88%.

3.6 Method and Procedure of Data collection

A survey questionnaire was used to collect the primary data for this research that enables the data to be analyzed quantitatively. The questionnaire have two parts the first part is used to gather the respondents general profile in terms of gender, age and for the second part 5 point opinion likert scale questionnaire of 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, and 5= strongly agree type is used to generate the data necessary to accomplish the objectives of the research project.

By using self-administered survey questionnaire, data was collected from willing respondents on selected smartphones shopping center intercept. Anyone who has visited the shopping center during the data collection period has been orally asked for their consent and fill the questionnaire if they are willing to do so.

3.7 Source of Data

In this study both secondary and primary data were used. Secondary sources that were used in this research include books, journal articles, reports, research paper, and various

e-documents that help assist the preparation of this study. The primary source for this research as previously discussed were survey questionnaires.

The independent variables that appeared in the questionnaire, which are used to generate the primary data, include Price, product features, retail store image, brand name, and Social influence that may affect the dependent variable of buying decision of smartphone which has also been included in the questionnaire.

3.8 Data analysis method

This study used both descriptive and inferential statistics. Mean, standard deviation, frequency percentages, and bar chart were used to summarize sample population characteristics obtained through the questionnaire. The inferential statistics indicators used for the research are correlation and multiple regressions.

As we have come across through the objectives above, this study intends to predict or explain the impact of those factors selected on consumers buying decision of smartphones in Addis Ababa. Hence, it is dependence type of association. Accordingly, correlation and multiple regressions is used. The data entry and analysis were performed by using Statistical Package for Social Science (SPSS) version 23.

3.9 Validity and Reliability

3.9.1 Validity

The validity of the study was ensured using data collecting tools that are based on sound theoretical foundations. Therefore; the study has ensured the instruments or procedures used in the research measured what they were supposed to measure i.e. independent variables (brand name, product feature, price, social influence and retail store image), and dependent variable (purchase decision) by crosschecking different theorists and sources. Additionally, the scales items on the questionnaire were adopted from a standardized questionnaire from, Odunlami (2013) and Indumathi (2015).

3.9.2 Reliability

Nunnally (1978) stated that reliability is the consistency of a test, survey, observation, or another measuring device. The level of reliability of the instrument indicates the consistency of the variables. Cronbach's alpha is an index of reliability associated with the variation accounted for the true score of the underlying construct and it can only be measured for variables which have more than one measurement question. 0.5 is a sufficient value, while 0.7 is a more reasonable value.

Table 3.1 Reliability Analysis of Variables

No	Variables	Number of Items	Cronbach's Alpha
1	Brand name	4	0.746
2	Price	4	0.716
3	Product feature	4	0.792
4	Social influence	4	0.823
5	Retail store image	4	0.717
6	Purchase decision	4	0.710
Entire scale		24	0.904

Source: own computations, 2018

Scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability. As it is indicated in the table 3.1, all Cronbach's alpha indexes are above 0.7. The entire scale in general has achieved a very good indicator of reliability.

3.10 Ethical consideration

In order to avoid any ethical issues, the information obtained from questionnaires were used for the dissertation purpose. The ethical policy of companies regarding their information was respected. All the contributors to this research got informed with all the

details regarding the survey. All the people who were asked had full right in deciding whether to participate in the survey or not.

Additionally, there was right of privacy to the participants. The participants had all the right in refusing to answer any question they consider inappropriate. The participants had the right to give their opinion on the product which was only used for the research purpose.

The participation in the survey was based on voluntarism the participants can themselves decide whether they want to be the part of the survey or not and the participants could withdraw at any time of survey and confidentiality were protected of that participants.

CHAPTER FOUR

RESULTS AND DISCUSSION

This study was conducted with an objective of identifying factors affecting consumers' purchase decision of smart phone purchasers in Addis Ababa. To collect the study data, the researcher distributed 384 questionnaires to the purchasers of smart phone but 372 questionnaires were returned fully filled which is response rate of 96.88%. this chapter presents the result of data analysis in different sections. These sections include, demographic information, descriptive analysis and regression analysis.

4.1 Demographic Characteristics of Respondents

Demographic information of the respondents is presented in the table 4.1 below. It presents about sex, age, income and educational level of the respondents.

Table 4.1 Demographic information

	Category	Frequency	Percent
Sex	Male	319	85.8
	Female	53	14.2
Age	18 - 30 years	155	41.7
	31- 50 years	217	58.3
Income	Below 5,000	233	62.6
	5,001-10,000	106	28.5
	Above 10,000	33	8.9
Education level	1-8 grades complete	40	10.8
	9-10 grades complete	29	7.8
	Certificate	99	26.6
	Diploma	197	53.0
	Degree and above	7	1.9

Source: own survey, 2018

Based on Table 4.1, the majority 319(85.8%) of the respondents were males. While the remaining 53(14.2%) were females. Regarding the age of respondents, the majority 217(58.3%) fall in the age range 31 - 50 years and followed by 18- 30 years which makes up 155 (41.7%) of the respondents. Concerning the income of respondents, the majority 233 (62.6%) of them were earning monthly income below 5,000 while 106(28.5%) of them earns 5,001 to 10,000. The remaining 33(8.9%) of the respondents earns above 10,000. Demographic analysis for the respondents indicates that the majority of them 197(53.0%) were diploma graduates while 99(26.6%) of them have certificate in various fields of study. The remaining 29(7.8%), 40(10.8%) and 7(1.9%) were in the range 9-10 grades complete, 1-8 grades complete and degree and above respectively.

4.2 Descriptive Analysis

4.2.1 Brand Name

Regarding the brand name of the smart phone, the following items were asked and the responses are presented on the following table 4.2.

Table 4.2 Descriptive Statistics brand name

	N	Mean	Std. Deviation
I consider the brand name of a smartphone when I decide to purchase	372	3.8441	.94734
I feel more secure when I buy smartphone with a well-known brand	372	3.8306	.81153
A smart phone with familiar brand name attracts me	372	3.9731	.89282
The brand of the smart phone has good name that influences me to purchase	372	3.7554	.89734

Source: *own survey, 2019*

As it is presented the table 4.2, most of the responses fall in the agreed range. Therefore, these results showed that, consumers consider the brand name of a smartphone when they

decide to purchase, feel secure when they buy smartphone with a well-known brand, smart phone with familiar brand name attracts them and the brand of the smart phone that has good name influences them to purchase.

4.2.2 Product Feature

Table 4.3 Descriptive Statistics Feature

	N	Mean	Std. Deviation
Smart phones designs are convenient, reliable and useful.	372	3.7957	.76033
Smart phone with bigger screen and full key-board makes different functions easier to organize	372	3.7527	.76523
I use smart phone due to its operating System (Apple phone, Rim blackberry, Samsung Android or others).	372	3.9032	.80517
Having a smart phone is like having both a mobile phone and a computer together	372	3.2984	.92855

Source: *own survey, 2019*

According to responses analyzed in the table 4.3, most of the responses fall in the agreed range. Therefore, the result showed that in terms of feature of smart phone, the buyers feel that smart phone designs are convenient, reliable and useful, smart phone with bigger screen and full key-board makes different functions easier to organize, they use smart phone due to its operating system, and having a smart phone is like having both a mobile phone and a computer together.

4.2.3 Price

Regarding the promotion element of smart phone, most of the responses fall in the agreed range which implies that smart phone price is one of priorities when making a buying decision, the consumers buy smart phone that is affordable, smart phone are reasonably priced, and the smart phone are that give value for money.

Table 4.4 Descriptive Statistics for price

	N	Mean	Std. Deviation
Smart phone price is one of my priorities when making a buying decision	372	3.6640	.98916
I buy smart phone that is affordable for me	372	3.8306	.86615
I prefer a smart phone that is reasonably priced	372	3.5054	.82578
The smart phone is that give value for money	372	3.9167	.86004

Source: *own survey, 2018*

4.2.4 Social Influence

Table 4.5 Descriptive Statistics for Distribution

	N	Mean	Std. Deviation
I buy smart phones earlier than most people' s around me	372	3.8145	.86595
A smart phone provides me with useful information and experiences, making it appear as though the quality of my life is improving	372	3.7392	.98192
I like smart phone that people around me like.	372	3.7849	.81891
People who have an experience told me to as the smart phone is best phone.	372	3.6237	.94500

Source: *own survey, 2019*

Concerning the social influence on smart phone purchase, the responses fall in the agreed range which implies the consumers buy smart phones earlier than others, expectation of a smart phone provides them with useful information and experiences, making it appear as though the quality of life, they like smart phone that people around them like, and

received information from people who have an experience as the smart phone is best phone.

4.2.5 Retail Store Image

Table 4.6 Descriptive Statistics for retail store image

Retail store image	N	Mean	Std. Deviation
I prefer to buy smart phones from a trusted retail stores	372	3.8065	.56888
A store with a variety of product assortment is my consideration during purchase.	372	3.6935	.75426
A store with a friendly salesman is my consideration during purchase.	372	3.4516	.72337
The potential of smart phone Seller to supply the product when needed.	372	3.8306	.79474

Source: *own survey, 2019*

As it is presented on table 4.6, the responses fall in the agreed range which implies they prefer to buy smart phones from a trusted retail stores, a store with a variety of product assortment is their consideration during purchase, a store with a friendly salesman is their consideration during purchase, and the smart phone provider has the potential to supply the product when needed.

4.2.6 Purchase Decision

Table 4.7 Descriptive Statistics purchase Decision

	N	Mean	Std. Deviation
The smart phone is my regular choice	372	3.8710	.79386
The smart phone is my preferred phone over others'	372	3.8360	.78907
The smart phone is congruent with my needs	372	3.9247	.78030
The smart phone is my favorite	372	3.8333	.76948

Source: *own survey, 2019*

Regarding the purchase decision of the consumers, the responses fall in the agreed range which implies the smart phone is their regular choice, their preferred phone over others' , congruent with their needs and their favorite.

4.3 Regression Analysis

4.3.1 Model Assumption tests

4.3.1.1 Multicollinearity Test

According to (Gujarati, 2004), multicollinearity problem arises when there is a linear relationship among explanatory variables that the result could not obtain estimates of all parameters. This causes large variance and standard error with a very low t-ratio and wide confidence interval. Different methods are often suggested to detect the existence of multicollinearity problem. Variance inflation factors (VIF) technique used for continuous explanatory variables. For continuous variables, if the value of VIF is 10 and above, the variables are said to be collinear

Table 4.8 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Quality	.804	1.243
Price	.560	1.787
Promotion	.687	1.457
Distribution	.664	1.506
Branding	.516	1.939

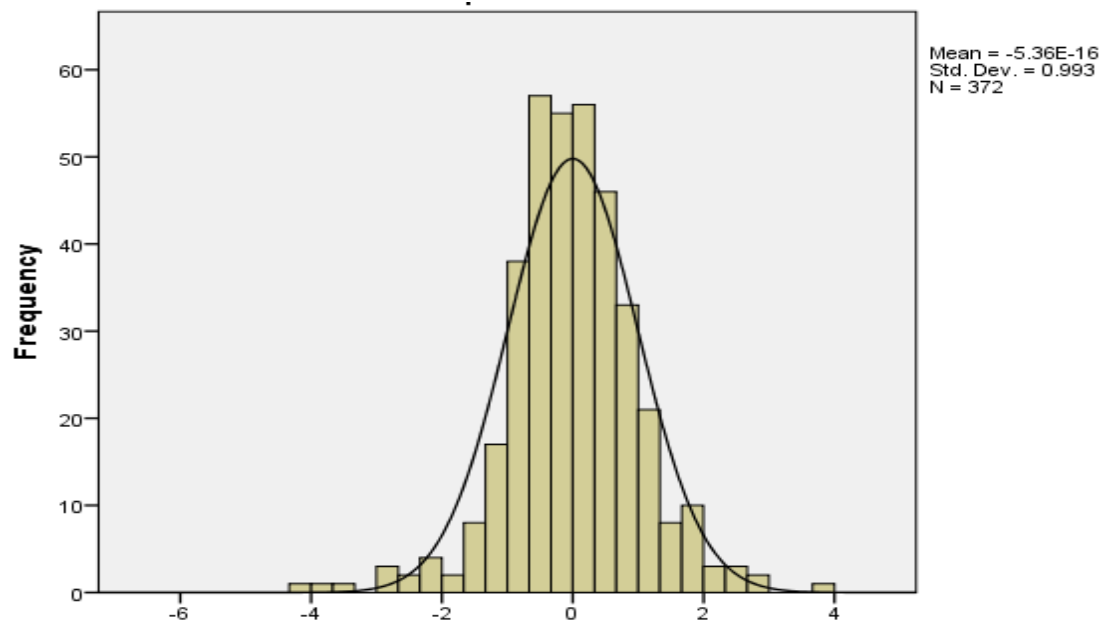
Source: Own computation, 2018

To detect the problem of multicollinearity the VIF technique is used prior to executing the regression analysis. As presented in the table 4.9, the values of VIF are well below 10 and suggesting that there is no problem of multicollinearity among the study independent variables.

4.3.1.2. Normality Test

One of the classical linear regression models assumptions is the error term should be normally distributed or expected value of the error term should be normally distributed or expected value of the errors terms should be zero ($E(UT)=0$).The researcher used histogram to identify normal distribution of residuals and the result indicates that standard residuals are a little bit far away from the curve, many of the residuals are fairly close more to the curve and the histogram is bell shaped. This implies that the majority of scores lie around the center of the distribution (so the largest bars on the histogram are all around the central value. Therefore, this indicates that the residuals are normally distributed and there is no normality problem in estimating the relationship between independent and dependent variables.

Figure 4.1 Normality Test



Source: Own computation, 2018

To get strong assurance of the residual or errors are normally distributed. In addition to the above test for normality, normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster around a central point. The acceptable range for normality for both statistics is between (-1.0 and +1.0). All variables

are within the acceptable range for normality (-1.0 to + 1.0). The kurtosis statistics for all independent variables are within the suggested range of normality (-1.0 to + 1.0).

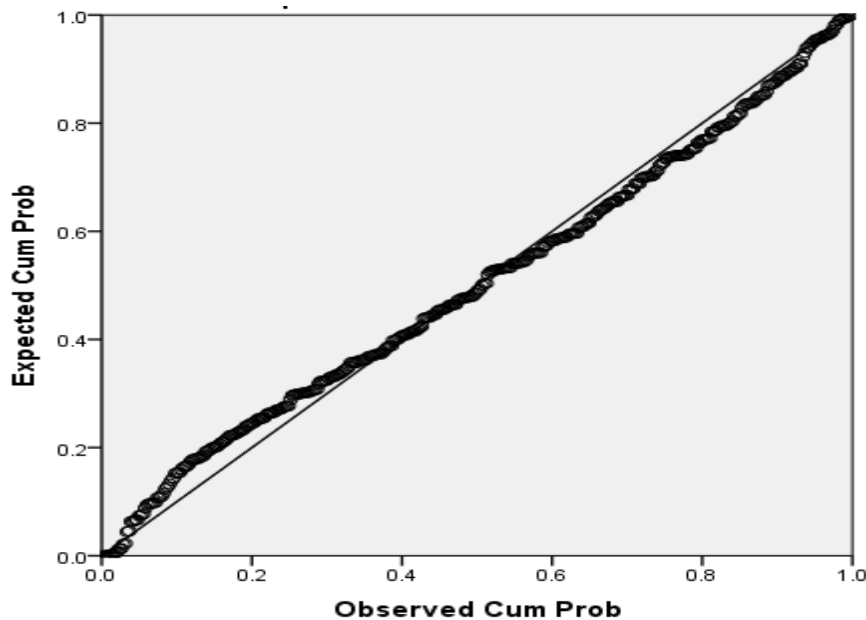
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Brand Name	372	-.767	.126	.933	.252
Social influence	372	-.913	.126	.976	.252
Price	372	-.731	.126	.927	.252
Product feature	372	-.687	.126	.437	.252
Retail Store Image	372	-.524	.126	.400	.252
Purchase decision	372	-.949	.126	.996	.252

Source: Own computation, 2019

Thus, according to the above diagnosis information presented in all the four tests there are no significant data problems that violate the assumptions of multiple regressions.

4.3.1.3 Linearity Test (Normal P-P Plot)

Figure 4. 2 Linearity Test (Normal P-P Plot)



Source: Own computation, 2019

As it is shown in the figure 4.2, the P-P plot of residuals reveals no large deviation in the spread of the residuals that almost all residuals lay on the linear straight line. Therefore,

this indicates that the relationship between the independent variables and the dependent variable is linear.

4.3.2 Regression Result

Table 4.9 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.842 ^a	.709	.705	.31107

Source: Own computations, 2018

The study model summary is presented in table 4.10 above. This summary is used to identify factors affecting the consumers' purchase decision. As it is shown in the table, R squared is 0.709 and adjusted R squared is 0.705 suggesting that that 70.9% variation in dependent variable is explained by independent variables used in the model. This implies that 70.9% variation in purchase decision is affected by brand name, product feature, price, social influence, and retail storage image.

Table 4.10 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	86.368	5	17.274	178.511	.000 ^b
Residual	35.416	366	.097		
Total	121.784	371			

Source: Own computations, 2018

ANOVA is presented in table 4.11 is used to address the general objective of the study. In addition, this analysis is used to identify appropriateness of the model in estimating factors affecting the purchase decision of smart phone in Addis Ababa. The study has used multiple linear regression method to run regression analysis. F-statistic is significant at 0.01 indicating that the model is appropriate to estimate the factors affecting purchase decision of smart phone. This implies that brand name, product feature, price, social influence, and retail store image affects purchase decision altogether.

Table 4.11 Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.451	.134		3.358	.001
Brand Name	.456	.027	.533	16.969	.000
Price	-.001	.036	-.001	-.029	.977
Product feature	.274	.028	.332	9.770	.000
Social influence	.211	.027	.270	7.795	.000
Retail Store Image	-.040	.043	-.037	-.934	.351

Source: Own computations, 2018

The effect of individual factor on purchase decision is presented in table 4.12 above. The researcher used unstandardized coefficients of independent variables and their sign to analyse their effect on purchase decision. The specific objectives are addressed and

Coefficient of the brand name is positive and statistically significant at significance level of 0.01 suggesting that brand name of the smart phone results on higher preference of the consumers for the product and vice versa when other factors are constant. Therefore, the researcher rejects null hypothesis that brand name has no effect on consumer purchase decision of smart phones in Addis Ababa and accepts the alternative hypothesis that brand name has positive effect on purchase decision for smart phones in Addis Ababa. This implies that the name of the smart phones enabled the consumers to decide to purchase. As it is indicated descriptive analysis section of this study, the consumers highly prefer popular brands of smart phone when decide to purchase. Finding of this study coincides with finding of Nguyen, et al. (2011) and Allameh & Noktedan (2010) that brand name affects purchase decision of consumers for smart phone in Kenya.

Effect of price is statistically insignificant in affecting the purchase decision of smart phones in Addis Ababa indicating that whether the price is higher or lower, the decision of the consumers is indifferent about the price variation. It has a potential negative effect. Therefore, the researcher accepts null hypothesis that price has no effect on consumer purchase decision of smart phones in Addis Ababa.

Coefficient of product feature is positive and statistically significant at significance level of 0.01 indicating stronger perceived good product features have resulted on higher purchase decision and vice versa holding other things constant. Therefore, the researcher rejects null hypothesis that product feature has no effect on consumer purchase decision of smart phones in Addis Ababa and accepts the alternative hypothesis that product feature has positive effect on purchase decision for smart phones in Addis Ababa. This is an implication of features have enabled the higher purchase decision for smart phones. Finding of this study is according to finding of Share & Salimeh (2010) and Clow & Back (2002) that product feature significantly affects purchase decision for smart phones by influencing the purchaser attitude in perceived quality and to influence purchase intention.

Coefficient of the variable, social influence, is positive and statistically significant at significance level of 0.01 suggesting that purchase decision of the smart phone buyers in Addis Ababa is influenced by other consumers who have the experience. Therefore, the researcher rejects null hypothesis that social influence has no effect on consumer purchase decision of smart phones in Addis Ababa and accepts the alternative hypothesis that social influence has positive effect on purchase decision for smart phones in Addis Ababa. Finding of this study is similar to finding of Kim and Hyun (2011) that social influence has significant positive effect on purchase decision suggesting that most experience of others and their influence is cause for purchase decision.

The effect of retail store image is statistically insignificant in affecting purchase decision of the smart phone in Addis Ababa. Therefore, the researcher accepts null hypothesis that retail image has no effect on consumer purchase decision of smart phones in Addis Ababa.

According to the t-statistics indicated in the table 4.12, brand name has highest effect on purchase decision with the value of 16.969. Next to brand name, product feature is the main factor in affecting purchase decision of smart phone in Addis Ababa and it is indicated by t-value of 9.770. From the statistically significant variables, social influence has lowest effect on the purchase decision with t-value of 7.795.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Major Findings

This study was conducted with an objective of identifying factors affecting purchase decision of consumer, a case of smart phone in Addis Ababa. To address this objective, factors such as brand name, price, product feature, social influence and retail store image were used as independent variables. This study has identified the significant effect of the factors used in the study on consumers' purchase decision for smart phones in Addis Ababa. Regarding the individual factors, the study has found out positive and significant effect of brand name, product feature and social influence at a significance level of 0.01. But, according to the collected data effects of price and retail store image are insignificant in affecting purchase decision for smart phone in Addis Ababa. brand image has the highest effect on purchase decision and followed by product features with t-values of 16.969 and 9.77 respectively. Associated t-value for social influence is 7.795.

5.2 Conclusions

Based on the findings the researcher provides following conclusion.

- Brand name positively affects the consumers purchase decision for smart phones in Addis Ababa. most popular smart phone brands are more preferred by the consumers to less popular brands. Popularity of brands highly affects the purchase decision of consumers for smart phones in Addis Ababa.
- Feature of the smart phones is factor for consumers' purchase decision for smart phone in Addis Ababa. design of the smart phone, larger screens, operating system, and substitutability with personal computers has resulted on higher purchase decision for smart phones in Addis Ababa.

- Social influence cause for purchase decision of consumers for smart phones in Addis Ababa. experience of others for the smart phone and recommendation of the smart phone users enabled to decide to purchase smart phones in Addis Ababa.

5.3 Recommendations

Based on the conclusions following recommendations are provided.

- Since the brand name has positive effect on purchase decision for smart phones in Addis Ababa, smart phone sellers are recommended to supply popular brands.
- Product feature has significant effect on purchase decision for smart phones in Addis Ababa, smart phone sellers are recommended to provide smart phones with good features such as well designed, that have big screens and faster operating systems.
- Since the social influence has significant and positive effect on purchase decision for smart phones, smart phone sellers are recommended to aware the consumers about the feature of the phones not to have wrong information.

5.4 Recommendation for Further studies

Although smart phones are sold throughout Addis Ababa, this study was conducted in selected areas in Addis Ababa; Bole, Merkato and Piassa. Since this limits generalization for the company, further studies are recommended to consider other part of the City. Since this study is conducted by using only questionnaire from primary data, further studies are suggested to use other primary data collection techniques such as interview to identify detailed information. In addition, to reach at more generalized result further studies are recommended to include sellers since this study has used consumers of smart phones only.

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Appendix A: Survey Instrument

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

I am a Postgraduate student at Addis Ababa University. As partial fulfillment for the Masters of Arts in Marketing Management, I am conducting a research study with title of ‘ Factors affecting consumers’ purchasing decision of smart phones in Addis Ababa’.

Therefore, I would appreciate if you could spare a few minutes of your time to answer the following questions. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Your assistance will be highly appreciated and thank you in advance.

Your Faithfully,

Abubeker Hussen

Section 1. Demographic Information

Indicate your response by marking appropriate response in the provided box

1. Age

- 18 - 30 years
- 31- 50 years
- Above 50 years

2. Sex

- Male
- Female

3. Level of Income

- Below 5000
- 5001-10,000
- 10,000 and Above

4. Education level

- 1-8
- 9-12
- Certificate
- Diploma
- Degree & Above

Section 2: Factors Affecting Consumers' Purchase Decision

Please indicate the extent to which you agree or disagree in the following statements by selecting the appropriate agreement level for following factors; where SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree

No	Brand Name	SD	D	N	A	SA
1	I consider the brand name of a smartphone when I decide to purchase					
2	I feel more secure when I buy smartphone with a well-known brand					
3	A smart phone with familiar brand name attracts me					
4	The brand of the smart phone has good name that influences me to purchase					

	Product features	SD	D	N	A	SA
1	Smart phones are designed are convenient, reliable and useful.					
2	Smart phone with bigger screen and full key-board makes different functions easier to organize					
3	I use smart phone due to its operating System (Apple phone, Rim blackberry, Samsung Android or others).					
4	Having a smart phone is like having both a mobile phone and a computer together					

	Price	SD	D	N	A	SA
1	Smart phone price is one of my priorities when making a buying decision					
2	I buy smart phone that is affordable for me					
3	I prefer a smart phone that is reasonably priced					
4	The smart phone is that give value for money					

No	Social influence	SD	D	N	A	SA
1	I buy smart phones earlier than most people' s around me					
2	A smart phone provides me with useful information and experiences, making it appear as though the quality of my life is improving					
3	I like smart phone that people around me like.					
4	People who have an experience told me to as the smart phone is best phone					

	Retail store image	SD	D	N	A	SA
1	I prefer to buy smart phones from a trusted retail stores					
2	A store with a variety of product assortment is my consideration during purchase.					
3	A store with a friendly salesman is my consideration during purchase.					
4	The potential of smart phone Seller to supply the product when needed.					

Section 3: Purchase Decision

	Purchase Decision	SD	D	N	A	SA
1	The smart phone is my regular choice					
2	The smart phone is my preferred phone over others'					
3	The smart phone is congruent with my needs					
4	The smart phone is my favorite					

Thankyou Very much.

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