

Financial Crisis and Strategic Marketing: The Case of Mobile Communications in Albania

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ABSTRACT

The financial crisis has affected every economy during the last decade; this changing environment affects the marketing strategies; these strategies began to change according to the buying behavior of the people. In this research the consumer perspective is examined with the change in mobile phone technology. This is an industry of constant change and innovation in which manufacturers are continually developing new technologies for consumers. The buying behavior of the consumer is changing; how these changes in mobile phone technologies are affecting the consumer is analyzed in this research. We examined the problem with consumer buying behavior, in which the consumers purchase decision and post purchase decision were analyzed under the impact of financial crisis. Customer satisfaction is a key for all the organizations that want to be keeping competitive advantage by innovative products or technology. Therefore, the increasing rate of change in technology, together with social-economic factors and competitive factors tend to produce high levels of confusion for the consumers. The marketing strategies were analyzed through the buying behavior which involved usage situation and source of information for making the decision. The research found that the buying behavior of people changed due to change in income, but this change showed more effect on the sales of the mobile phone than on its technology. As a result, the effect of different marketing strategies attracted the consumer to purchase mobile phone with advanced technologies. On the other hand, financial crisis didn't show a major impact on the mobile phone market.

Keywords: Mobile Phone, Financial Crisis, Marketing Strategies, Buying Behavior, Customer Satisfaction

INTRODUCTION

The impact of financial crisis has affected the consumers as well as business organizations (Ang et al., 2000). As a result, the manufacturers have adopted new marketing strategies in order to keep their market share; it doesn't mean that they have to cut marketing expenses or prices (Köksal and Özgül, 2007). According to different studies, for example the PIMS (Profit Impact of Market Strategy) presented by Roberts (2003) organizations that keep or even increase their marketing spending during financial crisis do not make any significant loss during the crisis, on the contrary they make profit and gain market share much faster after the downturn than the companies that cut their costs. It showed that marketing strategies affect the buying behavior of the people more than changing price or cutting the marketing expenses. According to Ang et al. (2000) marketing strategies that are suitable during good times may become ineffective when there is a downturn like financial crisis. The strategies that appeal to customer to consume more and purchase products that are not their necessity, failed in crisis situation like electronic appliances. Instead, manufacturers needed to reconsider the marketing strategies due to the change in consumer buying behavior and consumption patterns. For this purpose, the business organizations must understand the reasons how financial crisis affected the customers.

The changes in the marketing strategies are required because the financial crisis is affecting the sales and performance of mobile phone companies. Marketing strategies provide guidelines to the organization on how to use its technologies and capabilities to satisfy the need of the customers (ibid). The strategies increase the trend to buy generic products so the brands with strong equity are expected to be more resistant to shifts in consumer behavior. The consumers purchase these products only to satisfy their needs.

PROBLEM DISCUSSION

The change in technology raises the retail prices and when the consumers pay for the mobile phone, after few months new technology is introduced in the mobile phone industry. In this case, the prices of old models decrease quickly. This makes the consumer confuse to make buying decisions. Under financial crisis, it is not possible for the consumer to change their mobile phone so rapidly.

The mobile phone market is increasing day by day due to the requirement of the consumers, but these requirements are so fast that they affect the consumer purchasing power and buying decision. In an industry of constant change and innovation, mobile phone manufacturers are continually developing new technologies and products for consumers.

Research question

What are the effects of marketing strategies during the financial crisis with change in mobile phone technology?

Purpose

The purpose of this study is to examine how Swedish consumers' perceive the marketing strategies during the current financial crisis. The consumer perspective is analyzed on different attributes on which he/she makes the decision to purchase the mobile phone. Moreover, we examined how the changes in mobile phone technology affect the consumer buying behavior.

RESEARCH METHODOLOGY

Choice of methodology

The choice of methodology provides guidelines in conducting the research and the decision about the research approach. In this thesis, the methodology is formulated to examine the effects of marketing strategies in financial crisis. The approach is examined with the consumer purchase decision made for choosing the mobile phone with change in technology.

Having this purpose in view, positivism is selected as research philosophy. Deductive approach is selected because it lead us to revision of theory (Bryman et al., 2007 p.11) and it is used as a scientific research in which the theories and models are explained, examined and interpreted. The theories about marketing strategies and consumers buying behavior help the authors in conducting the exploratory research.

Research design

While using social survey approach of this research, we select cross sectional study in which a particular phenomenon is studied at a particular time (Bryman et al., 2007; Saunders et al., 2007). The cross sectional study is mostly conducted through questionnaires and interviews at a single point. The cross sectional study helps us in examining the relationship between the variables (Bryman et al., 2007, p.55). Based on the research questions, the cross sectional study supported us in analyzing the problem. The marketing strategies in financial crisis are perceived as a particular phenomenon that affects the consumers' behavior. We select the quantitative research approach which also support us in selecting the cross sectional study. This research design also help us in analyzing the consumer buying behavior and purchase decision with change in mobile phone technology. Furthermore, the cross section design helps us in examining the impact of financial crisis on the spending of consumers.

Marketing strategy

Under the findings, lots of research studies are found about marketing in downturn of economy, few findings address the consumer perspective. Marketing as a subject is continually evolving and the recent impact of ideas and technology need to be assessed carefully (Ranchhod & Gurau, 2007). Marketing is uniquely able to assess consumer needs and develop strategies based on analysis of consumer (Yoram & Thomas, 1983). Hence, the marketing strategies are made by every company for creating competitive advantage in the market to attract the consumers. The marketing strategies for the businesses should depend on their capabilities of using resources and strength of their products in the market, which fulfilled the demand of the consumers (Ferrell & Hartline, 2002). The resources are the capabilities on which a company gains the competitive advantage. Furthermore, strategy is about doing the right things, instead of doing what we are good at (Hooley, Piercy & Nicoulaud 2008). The marketing strategies are helpful in earning the consumer satisfaction and build the brand name in the market. The customer satisfaction guide the consumer in evaluating the product based on the dimension or attributes.

To reach a successful strategy, the focus should be on the industry dynamics and characteristics; for profitability, the essential factors for driving the industry competition also depends on industry attractiveness (Porter 1980,1985) such as in telecommunication industry. For developing an effective response from the consumers, the market segmentation and positioning the product play a very vital role in changing environments (Hooley et al., 2008). On the other hand, technology is both an internal and external factor that shape the choice and implementation of marketing strategies, but it influence all the other factors (Ranchhod et al., 2007). The internal factors include people and competitive advantage and external include the customers and competitive situation (ibid). With the change in technology, external environment is constantly changing and it is important that marketing function should understand the change and know how to act in them (Ferrell et al., 2002). Under these circumstances, the consumer's perspective about the marketing functions depends on attributes such as the price, product, brand name and promotion. The technology and the appearance of the product help the marketers to promote and build the brand name.

From the marketers perspective, in changing environment manufacturers should have to use proactive strategies (Nilson, 1995). These proactive marketing strategies could even be a way for companies to turn recession into advantage, it is an opportunity for the firms to control the situation and save their organizational resources (Srinivasan, Rangaswamy, & Lilien, 2008). These strategies are used to know about the attitude, situational factors and repurchase. However, to earn profitability in the long run and to build a strong brand image, the manufacturers should know the buying behavior of the consumers by developing successful marketing strategies.

Financial crisis

The financial crisis started from the mortgage and financial sector of United States of America in 2007 and it also affected on all the other sectors in the economy. This crisis showed its impact on all the industries around the world. As a result, consumers face difficulties such as increase in unemployment, change in prices of products due to inflation. All these factors affect the consumer attitude and buying behavior. According to Mohammed and Shamiyeh (2008) (cited in Aliqah and Al-rfou, (2010)) that to maximize the benefits of the product consumed, the consumers use their disposable income. The consumer behavior is affected by the price of the product and their disposable income. As a result, the consumer changes his/her behavior, if any change occurs in these factors.

Albania is an open economy and has a great integration with the international market. The financial crisis also affected the Albanian economy from the beginning of 2010, due to high interest rate and inflation; plus a weak labor market created a weak demand for products. More than one third of the Albanian consumers felt that the recession has an impact on their lifestyle and affected the spending habits and purchasing power (Market report, 2009). Further, the consumers evaluate the product on their product categories while making a decision and they managed the finance more carefully (ibid).

Economic crisis and consumer buying behavior

When approaching to the consumer perspective, the consumer buying behavior is very important to understand. It can be defined as *“Process by which individuals search for, select, purchase, use, and dispose of goods and services, in satisfaction of their needs and wants* (Business Dictionary, 2009, Solomon et al., 2006). Consumer behavior is much more than buying things, it also embraces the study about how things affect our lives and how our possession influenced the way the people felt about themselves (Solomon et al., 2006). The consumer behavior is used to provide guidelines in developing marketing strategies through segmenting the target consumers. The segments are developed on the basis of descriptive characteristics according to the desired attributes of the target consumers based on buying behavior. Sometimes consumers within the segment have similar product needs. The categories in which the segments are composed can be listed as demographics, geographic, psychographic and behavioral segments. The basic segment in analyzing the target consumers is demographic segment, in which the statistics measure the observable aspects of the population such as age, gender, social class, income and occupation. These variables are valuable to get the information about size of the market. The geographic segmentation is used to know about the culture patterns and trends of the consumers. The consumers have different values, lifestyle and behavioral patterns among different cultures (ibid). Manufacturers promote the product after analyzing the behavioral patterns and cultural values, for example, an introduction of a new product with latest technology is best for consumers in developed country than in developing country.

Behavioral segment divide the market into groups based on consumer attitude, brand loyalty and usage situation of the product (Kotler, Wong, Saunders & Armstrong, 2005). Behavioral segmentation is important while analyzing the buying behavior. The factors that analyze the buying behavior like attitude and usage situation are studied with the help of some demographics and geographic variables. Furthermore, the psychographic segment contains the personality, lifestyle and self concept variables. These variables are not easy to measure such as difference in consumer's personality and lifestyle (Solomon et al., 2006). Such variables are measured with the help of demographic and behavioral variables. The behavioral variables such as loyalty and attitude provide guidelines for analyzing the personality and lifestyle of the consumer. These characteristics of people are very important when they bought the product or service.

These issues influence the consumer before and after making a purchase. These issues reflect the buying behavior of the consumer and explain the perspectives, when the consumer thought to purchase the product. With consumer perspective, pre purchase entails issues about the need or want of the product and source of information to learn about the latest technology. When the consumer purchase the product, the issue arise are about the experience of using that product. If consumer is satisfied with the product then, he/she recommend to others and affect their buying behavior. In the last stage of consumption process the consumer evaluate its purchase decision and analyze its satisfaction with the product. The post purchase issues are related to the satisfaction of the consumer and usage situation of the product, which has to fulfill all the desired function that the consumers want. Moreover, Ferrell et al., (2002) explained that when the consumer decide to buy the product, he/she first search for information and different alternative

to fulfill the want of the product, and finally make a decision, these steps has an impact on the buying behavior of consumers.

According to Ferrell et al., (2002), trying to understand the buying behavior of consumers is a quite complex and difficult task. With the marketer's perspective, it is worth the effort spent by the manufacturers to develop a product by getting insight information about the customer's needs (ibid). In crisis situation, the consumer perspective and their satisfaction about the product provided long term relationship.

Proposition I: Financial crisis affects the buying behavior of the consumer

With a view of consumers' perspective, the innovation and the new product development in the financial crisis make the manufacturers to think about the current product and its usage. The manufacturers target and advertise the new product as to satisfy the need of the consumers but they first have to think about financial situation of their target consumers. For that reason the consumer buying behavior and buying decision process is adopted, which is not easy task (Kotler et al., 2005). The consumer passes through a learning process and then makes a buying choice (ibid). The learning process involved the brand, information about alternatives, and attributes.

As consumer are facing economic crisis, they acquire a product and evaluate that product on its appearance, texture and features. These attributes are evaluated during the buying behavior. Consumers want to get maximum benefits from the product when making a purchase during the crisis. Furthermore, these things affect the attitude and buying behavior.

Impact of technology

The technology is defined as —the branch of knowledge that deals with the creation and use of technical means and their interrelation with life, society, and the environment, drawing upon such subjects as industrial arts, engineering, applied science, and pure science (Dictionary, 2010)l. In this context, the technology meant that the advancement made in the product or service to facilitate the consumers only. These advancements might be addition in product attributes, product features or development of a new device.

To meet the competitive challenges the manufacturers are focusing on the technology, cost and quality to change the environment of the business, with these changes the organizations are more concern with the buying behavior of both consumers and organizations (Han, 1997). Schwartz (1996) book on wireless technologies laid out the technical and policy issues which would challenge the mobile phone growth in the developing world. The advanced technologies that are used by the manufacturers to enhance the customer's expectation through providing and describing the benefits of the product by fulfilling the wants of the customers (Dutta, Narasimhan & Rajiv, 1999). The wireless technologies are changing very rapidly due to the advancement in technological devices.

Proposition II: Mobile phone technology effect the buying behavior of the consumer.

The spreading of new technology and its concern with economic development made its impact on the communication devices such as on mobile phones and those concerned with describing the social, cultural implications of its use and focusing on personal communication technologies (Donner, 2008). Huge advances in technology have undoubtedly played a vital role in the rapid growth, unprecedented take-up and widespread availability of mobile communication in the whole world (Agar, 2003). The advancement in wireless technology supports the manufacturers to build new devices for the consumers such as mobile phone with a camera. With the guidance of technology, manufacturers believe that they are successful in fulfilling and enhancing the consumer needs.

While making a purchase decision individual might perceive confusion in evaluating of the technology. Such confusions arise from the consumer that include over choice of products, similarity of products and information conveyed through marketing communications or information that the individual get (Mitchell et al., 1999). The choice of brand, perceived quality or physical attributes of the product originate the causes in the evaluation process (ibid). The product similarity in features and over choice due to technology are the common problems that arise in making the buying decision (Leek et al., 2006). Furthermore, the problem in selecting the mobile phone is mainly due to huge range of advanced technologies.

Mitchell et al., (1999) suggested some strategies that individuals perceive the expectation as they evaluate them. There are a number of strategies that might be used in purchasing the mobile phone (ibid). They include the following:

1. Consumers when evaluating their goals about the purchase they narrow down their options by using certain criteria. For example, if an individual required mobile phone with touch screen, he/she narrowed down his/her options when selecting the phone (Mitchell et al., 1999).
2. In perceiving the technology advancement, consumers might abandon or postpone the purchase due to this reason and wait for the new model.
3. In expecting the better quality, consumers have been found to focus on brands, technology, durability, attributes which they used as an indication of the product quality (Duncan et al., 1982).
4. When making a purchase decision, individuals listen to people, family and friends experiences, price and brand of the mobile phone. The communication sources perceived to be independent, trustworthy, reliable, credible and less biased as they are often based on experience (Murray, 1991; Edgett et al., 1993; Muthukrishnan, 1995).

The competency to purchase a product for individual depend on its psychographics that includes life style; personality and social class traits and these traits are created through psychographics of the individual (Kolter, 1988).

When a consumer has to make the decision about the purchase it is necessary to determine the involvement of the consumer with the product. The involvement could be measured as an important, fascinating, relevant or valuable for the individual. The purchase of the product might be risky due to the nature of the product such as mobile phone. According to Kapferer et al., (1993) the development of an involvement profile should contain the following components:

- The personal interest a consumer has in a product category.
- The perceived importance of the choice of the product.
- The probability of making a bad purchase.
- The pleasure value of the product category.
- The value that the person signed to the product.

Proposition III: The buying behavior affects the marketing strategies.

There are potentially many determinants of customer satisfaction as the dimensions underlying satisfaction judgments are global rather than specific (Rust & Oliver, 1994). The satisfaction of the product is defined as “The consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption” (Tse and Wilton, 1988: 204).

The consumer satisfaction after the purchase of the product includes the involvement factors and the evaluation process used by the individual. The consumer satisfaction is highly influenced by the prior expectation regarding all aspects of product quality, according to the expectancy disconfirmation model explained above; consumers get knowledge from their beliefs about the product performance based on the prior experience with the product and the communication or information about the product (Boulding, Kalra, Staelin & Zeithaml, 1993). After the consumption of the product the performance that is desired by the individual exceeded the expectation, the satisfaction level increased and the consumer is pleased.

From marketers perspective, Prahalad and Hamel (1990) argue that competitiveness of market in the short run derive from the price and performance attributes of current products. It is due to the discounts or special offers provided to customers. On the other hand, competitiveness derive from the ability to build the brand image in the market, produce the products at lower cost and fast innovations ... more so than competitors are as the core competences that spawn unanticipated products (ibid). So, consumer involvement and satisfaction is important in the short and long term to earn profitability.

Proposition IV: Product performance depends on customer satisfaction.

Customer satisfaction of mobile phones depends on its attributes or features or the brand name e.g., Nokia. Satisfaction is derived from the importance of judgment related to physical products (Mittal & Tsiros, 1999). The satisfaction provides feedback to the manufacturer; it is very necessary from the company perspective that the feedback would support them about quality of marketing strategies used and it is a key influence for the future purchase intentions (Taylor & Baker, 1994)

Shop for electronic appliances and spending on appliances

First to analyze the impact of financial crisis, we analyze the relationship of shopping for electronic appliances and how much respondents spend on these appliances. We analyze that 58% of the respondents that shop once a year cut their spending and 42% that shop twice a year cut their spending on electronic appliances as shown in **Figure 6.1**. As, the relationship is significant under 90% confidence interval and shows that respondents who cut their spending on electronic appliances are mostly shopping for appliances only once a year and those who shop twice a year also cut their spending, this shows the impact of financial crisis on buying behavior of electronic appliances. To further analyze the impact of financial crisis we test this relationship with change their spending on appliances to examine that which attributes creates change in the spending of the respondents.

DISCUSSION AND CONCLUSION

Data on marketing strategies and buying behavior

In this analysis we test our third hypothesis in which the effect of marketing strategies are examined with buying behavior and purchase decision. The buying behavior is examined by the respondent's involvement in buying decision and we analyze the attribute on which the respondents evaluate the buying process.

From the analysis of the variables, we conclude that the marketing strategies affect the buying behavior and its due to price and technology. The buying process of the consumers shows that financial crisis affects their spending but, in mobile phone technology the evaluating process and customer involvement is different due to the usage of the mobile phone. So, we reject H1. As regarding to the upgrading the price of mobile phones, the respondents wants change in prices but these changes should be less rapid than change in technology. Those people who want more quick change in technology also give more importance to technology. So, we conclude that the consumer involvement in buying the mobile phone depends on the age and on which attribute the consumer choose the mobile phone.

With regards to the relationship and examination of the variables, we can say that marketing strategies affects the buying behavior of respondents. We analyzed that the majority of

respondents want the manufacturers to upgrade rapidly, because they evaluate the mobile phone on technology. The change in buying behavior is due to change in marketing strategies used to attract consumers. As we observe the income of respondents, higher income group respondents want change in technology rapidly while lower income group respondents want change in technology but they prefer price to change rapidly. When it comes to choose mobile phone, those respondents who give importance to price want upgrading in price from manufacturers after every two months. On the other hand those respondents who give importance to technology want upgrading in price after six months. It shows that advanced technologies changed the buying behavior of respondents which results in changing the technology rapidly than price.

Additionally, to measure the effects of marketing strategies we analyze that respondents trust on manufacturers even though manufacturers change prices more rapidly. The trust on manufactures will shake if the purpose of using mobile phone is for business, thus those consumers evaluate their buying behavior more on price. But, if the purpose of using mobile phone is for leisure, thus evaluating criteria is based on technology and in this situation trust will not shake. The information from others about the products also has an importance in making a purchase decision. We can say that when purchasing mobile phone the information provided by family and friends are important for respondents. After making an in-depth analysis, we observe that heavy user gives more importance to information than medium or light users. The results show that those respondents who give more importance to information choose mobile phone on technology and price. When new technology is introduced in the market, people learn about that technology and inform others about that technology. It is also a marketing strategy used by the manufacturers which affect the buying behavior.

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