ATTRIBUTE PREFERENCES OF THE SMARTPHONES AMONGST THE SMARTPHONE CONSUMERS OF ANDHRA PRADESH AND KARNATAKA USING CHOICE BASED CONJOINT ANALYSIS

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Introduction

Any organization wishing to rule the market should respect consumer preferences and to understand preferences of consumers. Smartphones has nowadays become our day to day partner. Consumers are looking for various innovative and transformed features. The Smartphone markets depict a lot of variations worldwide. In India major players are Samsung, Micromax, Apple, Nexus, Sony, HTC, Index, Nokia, LG, Lenovo, Mi etc. All of them offer wide range of options and thus maintaining long product lines. Almost every college, University student and household in urban area is among the users of such Smartphone. The objective of this paper is to determine the factors affecting the preferences of potential customers mentioned above for various smart phones and to provide insights on how smartphones companies can tap a no. of potential customers. The results of this research are expected to inform smartphones companies about student and common man perceptions regarding various aspects of smart phones and to aid them design business models and execute successful marketing strategy based on the their needs. Here we are using used conjoint analysis to measure preferences. Conjoint analysis is a multivariate technique which is to be utilised to comprehend individual customer's preferences and find out how these are developed. Explicitly, this method is utilised to gain discernments into how consumers are giving value to various product attributes on the basis of their evaluation of the complete product. Conjoint analysis is widely accepted in marketing research literature to assess consumer favourites for prospective products and services. It is well accepted for pricing research also. Choice-based conjoint analysis has proved its mettle. There are various benefits of Choice-based conjoint analysis. In CBCA collection of data is in the form of choices (simulated purchase decisions), which is actually relatively simple job for respondents than rankings or ratings. The derived part-worth utilities given in the output shows influence on the selection of product. Thus estimation of share is direct. Another advantage is that product related attributes and levels can be easily housed and thus we can estimate brand-specific utilities. This tool of research has been applied to comprehend the preferences in various industries including retail industry, academics, ecommerce and logistics Industry and even in health care services. But very few studies have been conducted for Smartphone industry using conjoint analysis for finding out consumer preferences. In this study, we are striving to find out the preferences of Consumers of Andhra Pradesh and Karnataka about various attributes of the smartphones like Brand, Operating System, Back Camera , Front Camera, Price and Technology.

Review of Literature

The Roots of conjoint analysis are back to the second decade of nineteenth century, but its real use has been started in 1964 when mathematical psychologists utilised it to solve sophisticated problems (Luce and Tukey, 1964). The broad idea behind its use was that people evaluate the overall utility of a multifarious product or service on the basis of the value of its discrete fragments (Orme, 1996). Conjoint analysis is de-compositional tool & in a de-compositional approach, preferences scores of consumers produced from their responses in an indirect way. Conjoint analysis is one such multivariate technique which used to comprehend how the customers are developing preferences for purchasing goods (Hair et al., 1998). Kamakura (1988) suggested that conjoint analysis is specifically useful in the classification and comprehension of benefit segments. Also, this method is strong and effective for spotting out benefits segmentation (Green and Krieger, 1993; Green and Srinivasan, 1978).
Conjoint Analysis Methodology: As per Carroll and Green (1995); Haaijer, Kamakura, and Wedel (2000) basic conjoint analysis model may be represented as:

$$U(X) = \sum_{i=1}\sum_{j=1} \beta_{ij}\, x_{ij}$$

where,
U (X) = Overall utility (importance) of an attribute
β_{ij} = part-worth utility of the j_{th} level of the i_{th} attribute
i= 1, 2........, m   j= 1, 2…......, k_i
x_{ij} = 1, if the j_{th} level of the i_{th} attribute is present
Otherwise equals to 0.

Initially conjoint analysis model used Ordinary least squares and utilized dummy variable regression for estimation (Fox 1997). Green and Krieger (1993) opined that the preference ratings were used for the predicted (dependent) variable and predictor variables and consisted of dummy variables for the attribute levels thereby algorithm calculates partial values by homogenizing the rate fluctuations on the basis of the normal distribution and the total mean values for the perception would be calculated using partial values. Also Hardle (2009) suggested that conjoint measurement analysis plays very vital role in

Research Paper
Impact Factor: 3.996
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

marketing. Conjoint analysis is such a frequently executed market research analysis tools can design and price a product or a service in a simultaneous manner (Orme, 2005).

According to Wedel and Kamakura (2001), following are the essential stages to perform a conjoint analysis procedure

1. Determination of the attributes and levels: The selection of attributes and attribute levels which together make up alternative product concepts is the first step in conjoint analysis procedure. These attributes reflect key product features which consumers can used to evaluate the product. Also, attributes' levels should cover the whole range of representative levels. Therefore, successful conjoint analysis needs an appropriate selection of attributes and levels. For the purpose of this paper, attributes and levels selected based on available literature survey and interviews with Smartphone selling dealers.

2. Stimulus set construction: For the purpose of this paper, a full-profile approach is selected. Full-profile conjoint has been a mainstay of the conjoint analysis community for decades (Orme, 2005). By academics suggestion, the full-profile approach is useful for measuring up to six attributes (Green and Srinivasan, 1978). Besides, this analysis could be used for paper-and-pencil studies (Orme, 2005). Also traditional full-profile approach can measure interactions between attributes. Creating the profiles is another part of this step. Usually, a factorial or fractional factorial design is used (Naes et al., 2001). In this study, this tool is used to design the product profiles. In this approach, the number of hypothetical profiles of Smartphones is obtained by multiplying the number of levels associated to each attribute. This method can generate a large number of product profiles (here in this paper- $4 \times 6 \times 3 \times 3 \times 2 \times 2 = 864$ hypothetical profiles). It is difficult, from a consumer's point of view, to evaluate a large number of product concepts. Therefore, it is necessary to select a sample of product profiles, but maintain the effectiveness of sorting and evaluating the relative importance of a product's multi-dimensional attributes. A fractional factorial design has been chosen to reduce the number of profiles to 36. A special class of fractional design, called orthogonal arrays was used for this reduction. Here, two sets of data were obtained. One, estimation set, consisting of 32 stimuli, was used to calculate part-worth functions for the attribute levels. The other, holdout set, consisting of four stimuli, was used to assess reliability and validity. The orthogonal arrays (orthoplan) were generated by SPSS-20.0 software. So, total 36 design cards resulted and therefore respondents have to evaluate questionnaires consisting of 36 cards. For the survey purpose, we have used Metric Conjoint Analysis. Here, respondents were required to provide preference ratings for the Smartphone package described by 32 profiles in the estimation set and 4 profiles in the holdout set. The ratings were obtained using five-point scale (1= Strongly disagree, 5 = Strongly Agree). An example of profile card was depicted in Table 2. Table 3 shows a few numbers of profiles and an example of a profile card, respectively.

3. Stimulus presentation: Choosing the method of data collection: questionnaire was used as a stimulus in this study.
4. Calculating part-worth utility for each level of attributes.
5. Calculating the relative importance of each attributes.
6. Evaluating and interpreting the results.

Various other authors like Churchill et al. (2002) and Hair et al. (1998) have suggested almost similar steps for conjoint analysis as shown in the following figures.

```
┌─────────────────────────────────┐
│         Select attributes        │
│                                  │
└─────────────────────────────────┘
                 │
                 ▼
        Determine attribute levels
                 │
                 ▼
┌─────────────────────────────────┐
│      Determine attribute         │
│        combinations              │
└─────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────┐
│   Select form of presentation    │
│     of stimuli and nature        │
│  of judgments to secure from     │
│         respondents              │
└─────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────┐
│   Decide how judgments will be   │
│           aggregated             │
└─────────────────────────────────┘
                 │
                 ▼
        Select analysis technique
```
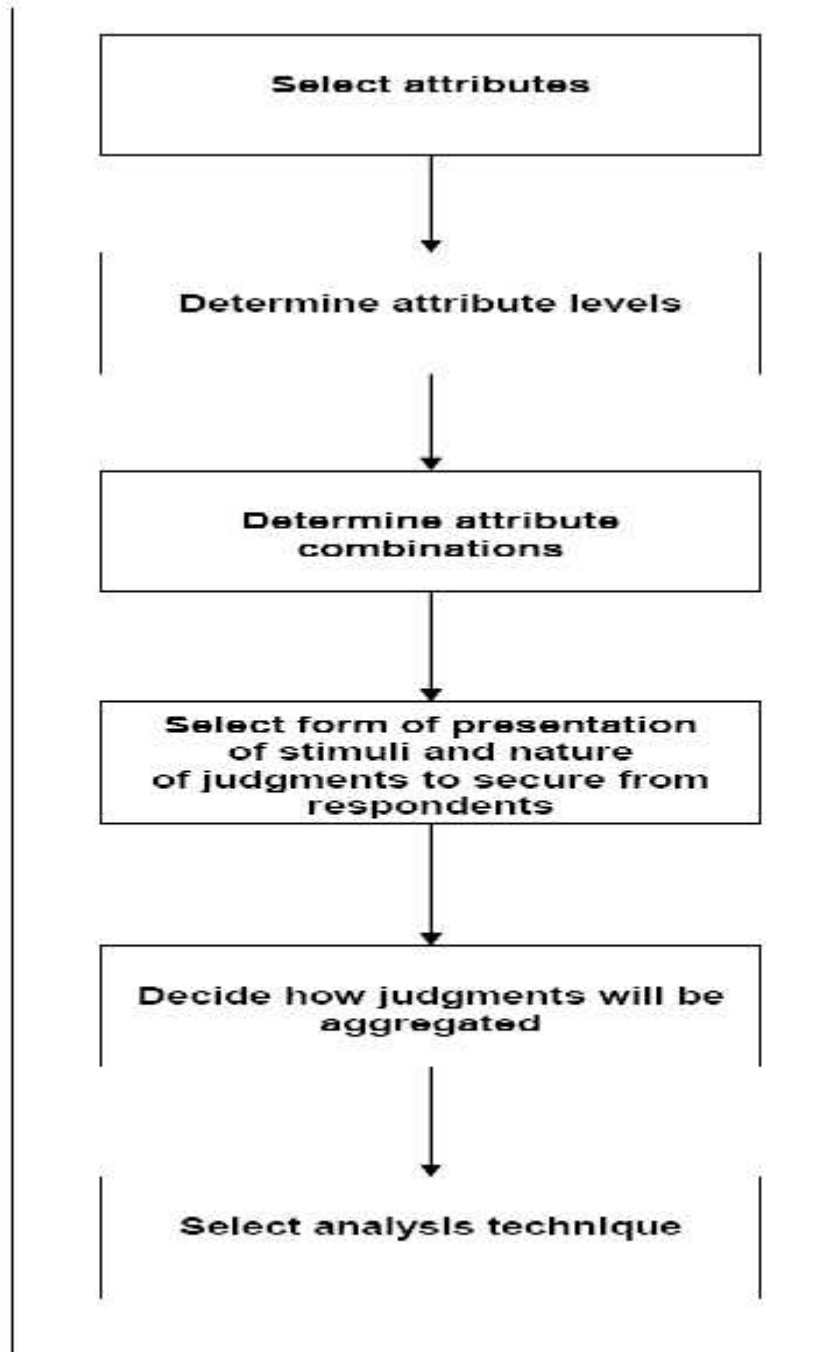
Figure 1: Designing a conjoint analysis experiment: Stages of the conjoint analysis decision diagram (Adapted from Churchill & Iacobucci, 2002 753)
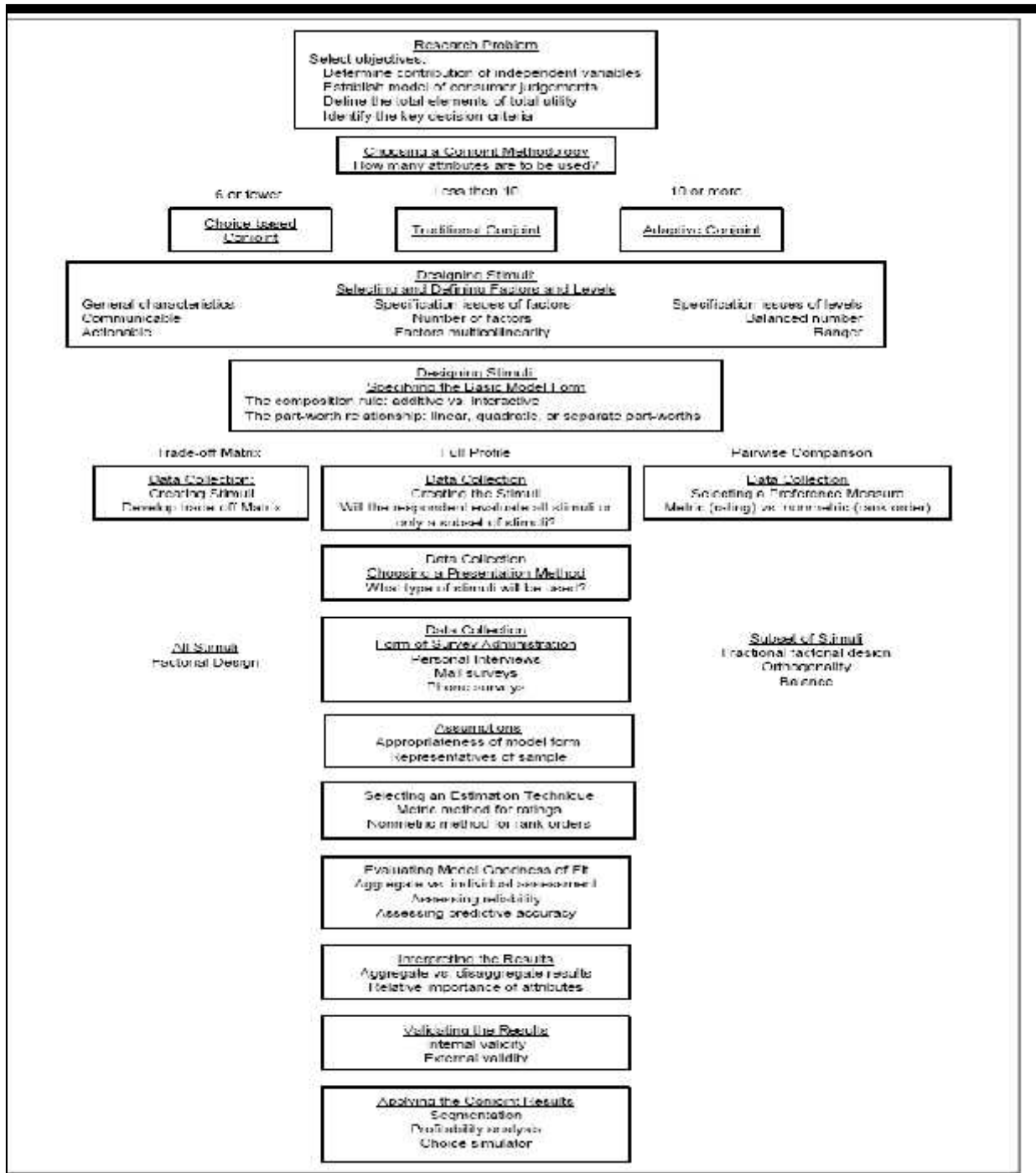
Figure 2: Key decisions when conducting a conjoint analysis (Hair et al, 1998:401-419)

Objective of the study
The objective of the study is as follows:
1. To find out the preferences of the Smartphones Attributes amongst the Smartphone consumers of Andhra Pradesh and Karnataka.

Research Methodology
We collected generalizable data that represents the population using survey method. In this study we collected primary data targeting at individual existing Smartphone Consumers. Subsequently, Conjoint analysis method was used to analyse the data so collected and presented in an intuitive and insightful presentation format. Here, the data was collected using both online and offline self-administrated survey. The data was collected from the residents of Madanapalle , Cuddapah , Bengaluru , Tirupati and Mysuru. Residents in these cities are selected as the respondents because they constitute the major propositions of Smartphone user in Karnataka and Andhra Pradesh. The questionnaire items are designed in such way that technical jargons are minimized in order to enhance the understanding for the users from different knowledge backgrounds. At the end of data collection process, we were successful in procuring correct questionnaires from 305 respondents. So we have used sample size of 305. By securing this high sample size, the data collected is ventured to have low level of random errors, and the responses should follow normal distribution. Hence, the quality of data collected is to be considered fairly good, and appropriate for data analysis. Moreover Kendall's tau value has been found out as 0.750 which is sufficiently showing the validity of the data.

Analysis and Discussion
Total utility of the consumer can be found by adding utilities of Brand, Front Camera, Back Camera, Operating System, Technology and Price.

Total utility = Utility (Brand) + utility (Front Camera) + utility (Operating System)
    + Utility   (Technology) + utility (Back Camera) + utility (price) + Constant

The value of the constant was determined as 16.119. Following table show the Utility tables for different parameters.

Utilities		Utility Estimate	Std. Error
OS	ANDROID	1.564	.456
	I OS	-.872	.456
	WINDOWS	-.318	.456
	OTHERS	-.374	.456
BRAND	SAMSUNG	.719	.512
	MICROMAX	.409	.512
	APPLE	.011	.669
	SONY	-.277	.669
	NOKIA	-1.009	.669
	OTHERS	.146	.669
BACKCAMERA	<=13MPXL	-.056	.263
	>13MPXL	.056	.263
FRONTCAMERA	<=5MPXL	-.242	.263
	>5MPXL	.242	.263
PRICE	<=10000	-.525	.318
	10000-20000	-1.050	.635
	>20000	-1.575	.953
TECH	2G	.662	.318
	3G	1.324	.635
	4G	1.986	.953
(Constant)		16.119	.834

The table shows the utility (part-worth) scores and their standard errors for each factor level. Higher utility values indicate greater preference. Samsung as the Brand and Android as the operating system have higher utilities as compared to any other Brand or operating system. As expected, there is an inverse relationship between prices and utility, with higher prices corresponding to lower utility (larger negative values mean lower utility).Utility values for the Back Camera and Front Camera is highest for more than 13 megapixels and more than 5 megapixels. The 4G technology corresponds to a higher utility, as anticipated. Since the utilities are all expressed in a common unit, they can be added together to give the total utility of any combination.

Research Paper
Impact Factor: 3.996
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

Importance Values	
OS	25.950
BRAND	35.873
BACKCAMERA	5.776
FRONTCAMERA	8.582
PRICE	12.093
TECH	11.725
Averaged Importance Score	

The results show that Brand has the most influence on overall preference. Average importance score for the Brand is 35.873. This means that there is a large difference in preference between product profiles containing the most desired Brand name and those containing the least brand name. The second most important factor for the subjects of this study is operating system (Averaged Importance Score 25.950) followed by Price (Averaged Importance Score 12.093). The results also show that a Back Camera plays the least important role in determining overall preference. Operating system and Price plays a significant role but not as significant as Brand. Perhaps this is because the customers are ready to shell out extra money even, once they are getting the Brand of their own choice. The values are representing percentages and they sum to 100.

Coefficients	
	B Coefficient
	Estimate
PRICE	-.525
TECH	.662

The above table shows the linear regression coefficients for the factors "Price" as -0.525 and for "Technology" as 0.662 . These factors have been specified as LINEAR.

Correlations[a]		
	Value	Sig.
Pearson's R	.851	.000
Kendall's tau	.750	.000
Kendall's tau for Holdouts	.000	.500
a. Correlations between observed and estimated preferences		

Above table is showing significant correlation between various rankings and utilities undertaken for the study as Pearson's R value is 0.851 and Kendall's tau 0.750 which is sufficiently showing the validity of the data.

Model Description		
	N of Levels	Relation to Ranks or Scores
OS	4	Discrete
BRAND	6	Discrete
PRICE	3	Linear (less)
TECH	3	Linear (more)
BACKCAMERA	2	Discrete
FRONTCAMERA	2	Discrete
All factors are orthogonal.		

The Conjoint procedure keeps track of the number of subjects whose preference showed the opposite of the expected relationship—for example, a greater preference for higher 'Prices' is given by 45 respondents and a lower preference for a '4G technology' was given by 35 respondents .

Conclusion
For Smartphone Sellers who are operating in a highly competitive environment, it is extremely imperative to explore the preferences of the segment of young Customers, who make up a significant base of future users. Meeting the demands of this category of Customers can have a very positive consequence in long-term profitability, loyalty and Brand Equity.

As per the findings of this study, it is evident that the Brand has the most significant influence on overall preference of the consumers of Andhra Pradesh and Karnataka. Being 35.873 as the Average importance score for the Brand we can conclude

that there is a large difference in preference between product profiles containing the most desired Brand name and those containing the least brand name. So the companies should first of all capitalise their established Brand Name. Most of the consumers prefer Samsung followed by Micromax as per the results of this study. Samsung and Micromax should capitalise on their established Brand Names. Moreover the companies, for example, Samsung or Micromax can think to provide a new smartphone with Android operating system (Averaged Importance Score 25.950) with a Price of Rs10000 or above (Averaged Importance Score 12.093).Consumers are even ready to pay more than Rs10000 if their smartphones are enabled with 4G technology and more than 5 Megapixel front camera and are not very much bothered about more than 13 Megapixel Back Camera. Operating system and Price plays a significant role but not as significant as Brand. That's why these customers are ready to shell out extra money even, once they are getting the Brand of their own choice with Android Operating System ,4G technology and upto 13 Megapixel Back Camera and more than 5 Megapixel front camera.

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Code used for Conjoint Analysis in the Study

```
CONJOINT PLAN= 'C:\Users\Prashant\Desktop\SP CONJ MBL\PRASHANTMBL.sav'
/DATA = 'C:\Users\Prashant\Desktop\SP CONJ MBL\RESPONSESPGMBL.sav'
/SEQUENCE =PREF1 TO PREF36
/SUBJECT= ID
/FACTORS =OS (DISCRETE)
BRAND (DISCRETE)
PRICE (LINEAR LESS)
TECH (LINEAR MORE)
BACKCAMERA (DISCRETE)
FRONTCAMERA (DISCRETE)
/PRINT =SUMMARYONLY
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