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## Students on mobile phone market – price/cost aspects of their behavior<sup>1</sup>

### Summary

The purpose of the publication is to find some cost/price characteristics of a young customer behavior on mobile phone market: perception of price fairness, price consciousness and non-price costs of online channel usage. In author's research the scenario approach was applied. The study was conducted on a sample of 345 consumers (students of business studies), purposeful selection due to the age of the respondents and their lack of financial independence on the market. Study refers to telecommunications services at the stage of post-purchase service. Study results indicate following aspects: high level of satisfaction and loyalty, positive price fairness perception, high price consciousness, relative high concern about anonymity in online channel and perceived need to re-contacts on the same subject. Managerial implications: marketing communications strategy directed to this target group based on price transparency (clear price-based communications), well-coordinated channels that provide similar prices and products in order to avoid customer's confusion and frustration, better functionality of websites in order to ensuring customers about their network security and online service effectiveness. Social implications: better understanding of consumers, who are not yet financially independent on the market (contract with the operator signed for them their parents / guardians).

**Key words:** young customer, price, price consciousness, price fairness, non-price costs.

**JEL codes:** M31, L81

### Introduction

The purpose of the publication is to find some cost/price characteristics of a young customer behavior on mobile phone market. In order to this, answers for the following research questions should be found:

RQ1: What is the level of young customers' price consciousness and their price fairness perception?

RQ2: What is the perception of the non-price cost of online channel usage?

The starting point in research approach was analyzing customer satisfaction and loyalty.

<sup>1</sup> The abstract of this paper has been presented and published at the MakeLearn&TIIM 2017 International Conference.

## Literature Review

It has been claimed that customer satisfaction can be considered as an important determinant of repurchase intention and customer loyalty (Kim, Lee 2010; Lee, Chen 2014). As indicated by Mutum et al. (2014), customer loyalty is crucial for the success of a firm because loyal customers enhance the firm's profitability, market share and increase shareholder value. The concept of customer loyalty is strongly linked to perceived switching costs and switching barriers. In light of the Pich's and Eisend's (2014) meta-analysis, buyers' perceived switching costs are as all perceived, anticipated, and/or experienced costs of switching a relationship from one seller to another. These researchers look at switching costs as at the result of subjective evaluation of experiences and/or observation of experiences of others in relationships. Switching costs encompass different types of costs, in particular financial, procedural, and relational costs as well as combinations of these types. Whereas switching barriers are any factor that makes it more difficult or costly for consumers to change provider (Jones Mothersbaugh, Beatty 2000). In their paper (Foscht et al. 2009), find that in case of young customers determinants of satisfaction, loyalty, and behavioral intention are primarily affected by satisfaction with employees and services rendered. What is more, according to these researchers, as young people reach certain milestones, their needs become more multifaceted.

Next issue important for author was price consciousness of young customers. Price consciousness is consumer's reluctance to pay for the distinguishing features of a product if the price difference for these features is too large (Sinha, Batra 1999). A price-conscious consumer seeks to minimize the price paid for an item, which relates to savings (Konus, Verhoef, Neslin 2008). According to Kukar-Kinney, Walters, MacKenzie (2007), less price-conscious consumers are not very involved with the price aspect of the purchase and wish to engage in little price search.

An issue related to effectiveness of service supplier pricing policy is customer perception of price fairness. Because of the strong negative consequences of price unfairness perception it is concern to consumers, policy makers, politicians, and firms (Campbell 2007). Xia and Monroe (2010) define price fairness as a consumer's assessment and associated emotions of whether the difference (or lack of difference) between a seller's price and the price of a comparative other party is reasonable, acceptable, or justifiable". Researchers note that, in the context of price fairness perception important is not only to prevent unfair price perceptions but also to control the damage when perceptions of unfairness occur. As indicated by Bondos (2015a), price perceived by consumers as a fair price to a very large extent serves as the reference price (i.e. price at which the price for the product is analyzed). Among several price levels that can serve as a reference point, perceived fair price is the most important to the buyer. In their paper, Xia and Monroe (2010) demonstrate that paying a price that is less than the reference price may be perceived to be less fair when the reference price is a higher price paid by another customer for a similar transaction. The importance of price fairness perception is even greater in the case of new services launching (Kuester et al. 2015). Homburg, Hoyer and Koschate (2005) note that in the context of customer satisfac-

tion, price fairness perception is very important. Their findings reveal that as satisfaction increases, the negative impact of the magnitude of a price increase is weakened, their results also suggest that satisfaction moderates the impact of perceived motive fairness. What is more, the researchers indicate a relationship between price fairness perception and price transparency. Price transparency is the degree to which market participants know the prevailing prices and characteristics or attributes of goods or services on offer (Soh, Markus, Goh 2006). Researchers indicate some positive effects of presenting product with price transparency, these are a higher perceptions of fairness resulting in increased repurchase intentions (Carlson, Weathers 2008), an assurance about the firm's customer oriented price setting policy and firm's communication that their prices are reliable from others (Mittal, Agrawal 2016).

Non-price cost of online channel usage is the last issue that author was interested in. In the light of the literature perceived value is defined as a multidimensional construct comprising what the consumer needs to spend (time, effort, money) and what he receives in return (Carlson, O'Cass, Ahrholdt 2015). This is an important category that allows to predict consumers buying behavior and to achieve a sustainable competitive advantage (Chen, Dubinsky 2003). Channel usage costs perception is crucial for customers' willingness to use the online channel (the parallel use or the final migration to this channel), perceived costs of channel usage (price and non-price costs) act as intermediate predictors of intent to use it (Jeen, Niehm, Russell 2011). An interesting application is to identify the role of the offline channel in the perception of the online channel usage costs – offline channel acts as a reference level of perception of online channel usage (Lipowski, Bondos 2016). Analyzing online channel costs' perception seems to be justified by some research findings, e.g. one of the reason why online consumers perceive more risks than those shopping in stores is that they are concerned about after-sales service (Pappas 2016). Generally, the process of perception of the overall value of cooperation with the service provider is important for the effectiveness and efficiency of e-channel migration strategy. Monga and Saini (2009) pay attention to search costs that have to be incurred (e.g., spending time to visit stores) in order to achieve potential search payoffs (e.g., finding a lower price). This type of cost is crucial because it is a key component of the decision process in retail settings, and involves seeking information to resolve purchase uncertainties. Undoubtedly post-purchase stage includes various situations requiring the information search (not only about offer actually possessed). As indicated by Monga and Saini (2009), consumers are more likely to ignore information about costs and payoffs when they have to sacrifice time rather than money.

## Research methodology

In author's research the scenario approach was applied. The study was conducted on a sample of 345 consumers (students of business studies; first cycle studies, full time studies), purposeful selection due to the age of the respondents and their lack of financial inde-

pendence on the market in order to create a homogeneous research group. Brief description of the research sample is as follows: 65% women and 35% men; more than half of the respondents (55%) cooperate with their current service provider for longer than 36 months; respondents have little experience in changing service supplier (35% of them have not change operator yet, 45% have changed operator only once); in respondents' opinion financial situation is good (60%) or neither good nor bad (30%).

Study refers to telecommunications services at the stage of post-purchase service. The idea for this study was based on the research investigation of Trampe, Konus and Verhoef (2014). The whole author's research has consisted of four parts: the first part has general character and its results are analyzed in this article, the second part covered four scenarios for the four e-channel migration strategies, the third section is devoted to respondents' demographics and his/her experience in the telecommunications market. In the last part of the questionnaire the following issues were mentioned: gender, the period of cooperation with the current mobile network operator, experience in changing the mobile network operator, experience in renewing a contract on mobile phone, self-assessment of the financial situation.

In this article results from first part of research are analyzed. Statements used in the study of consumer attitudes towards mobile telephony operator were taken from literature – Table 1 presents used references and value of Cronbach's alpha as a measure of the reliability measurement.

**Table 1**  
**Theoretical constructs used in the study**

Latent variables	Number of items	Cronbach's alfa	Literature source
Loyalty	3	0,83	(Blut et al., 2014)
Satisfaction	3	0,78	(Blut et al., 2014)
Price consciousness	3	0,85	(Lombart, Louis and Labbé-Pinlon, 2016)
Perceived price fairness	2	0,89	(Xia and Monroe, 2010)
Perceived non-price cost of using online channel	6	0,83	(Lipowski, Bondos, 2016)

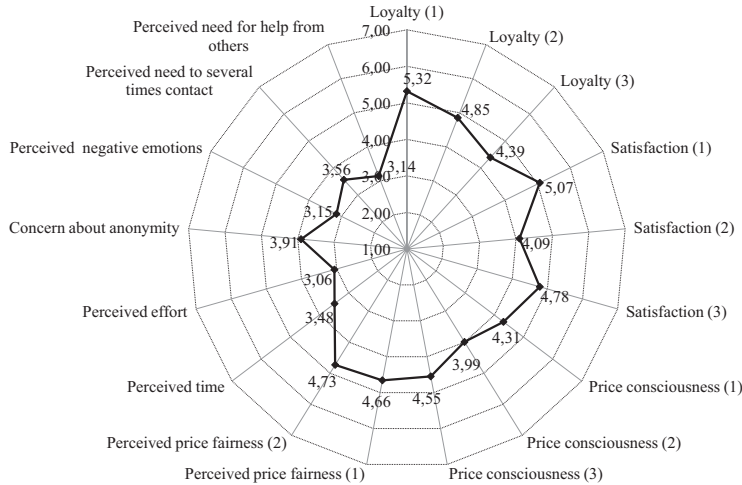
Source: own research.

## Research findings

The intention of the author was to identify certain characteristics of young consumers with respect to their relationship with the mobile operator (Fig. 1). Assuming, therefore, the prospect of the service provider first impression after results analysis can be positive. First issue, both loyalty and satisfaction achieved a high level. It shows that mobile operators operating on the Polish telecommunications market cope quite well with satisfactory service

young customers. Also high customers' continuance intention can be interpreted as a good sign for current relations with service supplier and the future.

**Figure 1**  
**Characteristics of young consumers in the mobile phone market (selected aspects)**



Note: All items are 7-point scales ranging from 1-strongly disagree to 7-strongly agree. All scale items were coded/recorded so that higher scores reflect higher levels of the construct.  
 Source: own research.

Another two issues concern the behavior of consumers in terms of price. Customers' perception of telecommunications services as fair is another good sign of actual market offer. It should be emphasized high price competitiveness among the largest operators on the Polish market. Without a doubt, high price consciousness is significant. This especially matters in terms of multichannel sales and channel-based price differentiation. High propensity of young consumers to pay effort seeking pricing information may be risky for mobile operators.

However, as long as young consumers perceive prices as fair and at the same time these consumers are very price conscious, there should be a positive evaluation of the honesty of mobile phone pricing.

The observed high price consciousness of consumers, who due to their age can easily exist in the online environment, has a logical explanation – consumers with higher multichannel orientation tend to be relatively more price-conscious than consumers in other segments (Konus, Verhoef, Neslin 2008).

Treating, by service providers, the online channel as the main marketing channel seems to be inevitable. All the more reason it is worth focusing on ensuring clients' safety on the

Internet. According to the author the issue of anonymity is one component of a broad sense Internet safety. The second issue is perceived by the customer concern about the need to contact several times in the same case. Bearing in mind the high Internet skills of the young consumers, there must be recognized an important content that comes from such responses. According to the author, on the basis of these answers it can be partly reason about questioning the efficiency of the Internet channel at the post-purchase stage. Because it is unlikely that young consumers are afraid to re-contact with the provider of services because of their own skill gaps in online channel using – there is no (or negligible) such a gap.

## Findings

In addition to contributing to overall understanding of young customer response to cooperation with service supplier, this research also suggests some important managerial implications. General recommendation refers to the need for a high awareness of the specific features of the young generation of service recipients. This consumer group can be very loyal to mobile operator if they you get what they want. Their satisfaction is not easy to achieve because of high level of customer requirements, but undoubtedly work on this can pay off.

It seems that the current situation is quite favorable – young consumers are pleased with their cooperation so far (high level of satisfaction and positive price fairness perception) and this develops in their loyalty to the service provider. What is also significant, and not without effect on loyalty, young consumers are high price conscious. Managers should consider this characteristic in communications strategy directed to this target group. Undoubtedly factor that can shape effectiveness of communication is price transparency. Nowadays internet environment represents the ideal platform for enabling price transparency to grow. If so, honesty in price-based communication becomes a key issue. This is even more demanding when it has been claimed that now the customers (in general) are more price-sensitive and less loyal (Mittal, Agrawal 2016). Multichannel service providers are obliged to consider how to, working on price fairness perception and non-price cost of online channel usage, maintain these demanding young consumers. It is crucial especially in light of the observed difference in the cost of maintaining existing customers and attracting new one. Undoubtedly service providers should avoid all temptations connected witch price level which could give rise to doubts as to the bona fide. It is not difficult to create a chain of disastrous consequences of price dishonesty, and this can be easily detected by young price conscious clients. In multichannel environment service providers should maintain well-coordinated channels that provide similar prices and products in order to avoid customer's confusion and frustration.

Taking into consideration fact, that need to several time contact and concern about anonymity are perceived by consumers as the highest, some efforts should be made to reduce especially these non-price costs relating to the post-purchase relation in the online channel. These costs can be limited by improving website functionality in order to ensuring customers about their network security and online service effectiveness.

One more issue deserves attention. Marketing concern for the young consumer is justified also by the fact that these consumers usually are not working yet and they are currently only users of mobile phones – the actual owners are their parents / legal guardians (in the case of temporary contracts). If so, service providers should especially take care of their current relationship with young consumers, because at least in a few years the same people will come on the market as independent and self-reliant consumers. Undoubtedly any existing (positive and negative) experiences of young consumers will be used by them when choosing the mobile operator in the near future.

Although the results of this study have useful implications, some limitations must be considered. First, risk of possibility of extrapolating to a real-world setting some results gained from used research approach (Kim, Jang 2014, p. 125). Second limitation refers to the fact that the reported research focuses on one specific context (the telecommunications service industry). Finally, limitation also applies to used research sample – undoubtedly, you can not underestimate common objections are that student participant pools are unrepresentative and that sample sizes are small (Falk, Heckman 2009, p. 535). The above limitations can be also some directions of future research – taking into account wider aspect of behavior and verifying the conclusions on other consumer groups.

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## Студенти на рынку телефонів коміркових – аспекти їх zachowania w kontekście ceny/kosztów<sup>2</sup>

### Streszczenie

Celem publikacji jest znalezienie cech zachowania młodego klienta w aspekcie kosztów/cen na rynku telefonów komórkowych: percepcja godziwości ceny, świadomość cenowa i pozacenowe koszty korzystania z kanału online. W autorskim badaniu zastosowano podejście oparte na scenariuszu. Badanie przeprowadzono na próbie 345 konsumentów (studenci kierunków biznesowych), dobór celowy ze względu na wiek respondentów i ich braku niezależności finansowej na rynku. Badanie dotyczy usług telekomunikacyjnych na etapie obsługi posprzedażowej. Wyniki badania wskazują następujące aspekty: wysoki poziom satysfakcji i lojalności, pozytywna percepcja godziwości ceny, wysoka świadomość cenowa, relatywnie wysoka troska o anonimowość w kanale online i postrzegana potrzeba ponownych kontaktów w tej samej sprawie. Implikacje dla menadżerów: strategia komunikacji marketingowej kierowana do tej grupy docelowej oparta na transparentności cen (jasna komunikacja w kwestiach cenowych), dobrze skoordynowane kanały, które przedstawiają podobne ceny i produkty w celu uniknięcia zmieszania i frustracji klienta, lepsza funkcjonalność sieci w celu zapewnienia klientom bezpieczeństwa w sieci i skuteczności obsługi online. Implikacje społeczne: lepsze zrozumienie konsumentów, którzy nie są jeszcze finansowo niezależni na rynku (umowa z operatorem podpisywana przez ich rodziców/opiekunów).

**Słowa kluczowe:** młody klient, cena, świadomość cenowa, godziwość ceny, koszty pozacenowe.

**Kody JEL:** M31, L81

## Студенты на рынке сотовых телефонов – аспекты их поведения с точки зрения цен/издержек<sup>3</sup>

### Резюме

Цель публикации – найти некоторые свойства поведения молодого клиента на рынке сотовых телефонов с точки зрения цены/издержек: восприятие ценовой справедливости, ценовая сознательность и неценовые издержки пользования каналом онлайн. В авторском обследовании применен подход, основанный на сценарии. Обследование провели на выборке 345 потребителей (студенты вузов бизнеса), целевой отбор из-за возраста респондентов и отсутствия у них финансовой независимости на рынке. Изучение касается телекоммуникационных услуг в стадии послезакупочного обслуживания. Его результаты указывают следующие аспекты: высокий уровень удовлетворения

<sup>2</sup> Skróc tego referatu zaprezentowano i opublikowano w materiałach pokonferencyjnych Międzynarodowej Konferencji *MakeLearn&TIIM* roku 2017.

<sup>3</sup> Аннотация этого доклада была представлена и опубликована в материалах международной конференции *MakeLearn&TIIM* 2017 года.

и лояльности, положительное восприятие ценовой справедливости, высокая ценовая сознательность, относительно большая забота об анонимности в канале онлайн и воспринимаемая потребность в повторных контактах по одному и тому же вопросу. Импликации для менеджеров: стратегия маркетинговой коммуникации, направленная этой целевой группе на основе ценовой транспарантности (четко выраженные сообщения касательно цены), хорошо координированные каналы, которые представляют сходные цены и продукты во избежание смущения и фрустрации клиента, лучшая функциональность сетей для обеспечения клиентам безопасности в сети и эффективности обслуживания онлайн. Социальные импликации: лучшее понимание потребителей, которые еще финансово несамостоятельны на рынке (договор с оператором подписывают родители/попечители).

**Ключевые слова:** молодой клиент, цена, ценовая осведомленность, ценовая справедливость, неценовые издержки.

**Коды JEL:** M31, L81

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