

Consumer behavior in the Italian mobile telecommunication market[☆]

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Abstract

This paper investigates the characteristics of Italian cell phone users. A multidimensional segmentation approach was adopted, using concurrently three sets of variables: *consumer/user lifestyles*, *use motivations* and *product/service attributes*. Data on a national sample (1067 individuals) were collected and factor and cluster analysis were then performed on the database. The study led to the identification of three user segments, each with a diverse combination of the segmentation variables. Findings provide implications for the mobile telecommunication industry and could suggest strategic choices to mobile operators—especially cell phone producers—and constitute the basis for their strategic positioning.

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1. Introduction

Since the 1990s, the mobile telecommunication industry has significantly extended its boundaries. The cell phone now has a multiform identity: it may become a portable computer, dedicated to professional customers; sometimes it has a few predetermined keys to allow easy use for other consumers (e.g., elderly individuals); it can take on multiple forms for entertainment and communication among young people. At the same time, the use functions have multiplied and there has been technological convergence with other media (computer, television and the Internet): besides the basics of mobile telephoning, at present the mobile phone manages short message services (SMS), multimedia messaging services (MMS), music, video games, software for professionals, photo camera, video camera, television programs, movies, and information. It supports every kind of accessory function, from the more common (alarm, calculator, address book, etc.) to the more original: it becomes an audio guide to visit museums, a navigator for motorists, or a book narrator (downloading digital recordings of famous texts). Product design can vary from a valuable luxury item to a

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trendy cell phone for teenagers. It satisfies needs for relationships, but also security and affiliation; it has created new languages¹ and new rules for community membership and interactivity.

On the demand side, the evolution of mobile communication consumption is an overwhelming phenomenon,² as reported in the recent international literature (Botelho & Costa Pinto, 2004; Hodge, 2005; Iimi, 2005; Kim, Park, & Jeong, 2004; Kim & Yoon, 2004). In Italy, recent investigations (Censis, 2005; ISTAT, 2006) show increasing use of the cell phone against a general dip in purchases.

This paper explores the Italian demand for mobile phones through the use of a multidimensional segmentation approach. In particular, it poses the following questions: (1) Do differences exist among Italian mobile phones users leading to the identification of different market segments? (2) More specifically, is it possible and useful to describe them adopting a multidimensional approach? Thus, it aims to contribute to a better understanding of consumer behavior in Italy.

The paper is organized as follows. Section 2 presents the theoretical background and rationale of the multidimensional segmentation approach. The following sections show the segmentation analysis of the mobile communication market in Italy: Section 3 describes the research design and Section 4 presents the results of the empirical study on a national sample. These are interpreted in Section 5. Finally some concluding remarks are provided in Section 6.

2. Theoretical background

The theme of market segmentation, introduced by Smith's seminal 1956 article, has become the subject of an extensive literature (see, among others, Dickson & Ginter, 1987; Fabris, 1972; Frank, Massy, & Wind, 1972; Green, 1977; Haley, 1968, 1971, 1984; Saporta, 1976; Wedel & Kamakura, 2003; Wind, 1978; Yankelovich, 1964). It "consists of viewing a heterogeneous market ... as a number of smaller homogeneous markets in response to differing product preferences among important market segments. It is attributable to the desires of consumers or users for more precise satisfaction of their varying wants" (Smith, 1956, p. 6). Thus the partitioning of the market into different segments—i.e., different groups of consumers—is due to the fact that there exist differences among consumers in the demand for products and services.

In the literature there are several taxonomies of variables used for market segmentation (Frank et al., 1972, p. 27; Saporta, 1976; Wedel & Kamakura, 2003, p. 7). This research simultaneously uses different segmentation bases³ in order to study the Italian demand for mobile communication, thus strengthening the interpretative efficacy of the analysis (Wedel & Kamakura, 2003, p. 16). *General segmentation bases* and *product-specific segmentation bases* are combined, the former regarding the personal characteristics of individuals (i.e., lifestyles⁴), and the latter related to the individual's preferences within the specific class of product/service (i.e., product/service attributes and use motivations). *Consumer lifestyles* give general indications on values and psychological characteristics of individuals, besides providing socio-demographic indicators, spending behaviors, and mass media exposure.

The other two dimensions, *product/service attributes* and *use motivations*, assume specific significance in relation to a definite product/service. However, unlike the traditional benefit segmentation (Haley, 1968, 1971,

¹Adolescents, above all, have enriched their linguistic heritage with new idioms, informal sentences, abbreviations, up to the point of transferring feelings through so-called *emoticons*, icons that show emotions and expressions.

²Development in demand underlines powerful *network economies* within the mobile system, due to the fact that the multiplying of network supporters increases the produced value. "New subscribers joining a network increase the utility of current subscribers. This process leads to self-propelling or endogenous network growth, and suggests that current subscription is positively influenced by previous subscription. In particular, little if any utility is gained from an individual subscribing to the network unless there are sufficient subscribers already using the service. However, the viability of a new network relies on the spontaneous existence of an initial critical mass of subscribers" (Madden, Coble-Neal, & Dalzell, 2004, p. 136).

³"A segmentation basis is defined as a set of variables or characteristics used to assign potential customers to homogeneous groups" (Wedel & Kamakura, 2003, p. 7).

⁴Literature on lifestyles for market segmentation considerably developed in the 1970s. On the topic see Gunter and Furnham (1992), Kamakura and Wedel (1995), Michman (1991), Plummer (1974), Wells (1974, 1975), Wells and Tigert (1971), Ziff (1971) and some more recent works: Gonzalez and Bello (2002), Vyncke (2002), and Yang (2004).

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