CHAPTER TWO
REVIEW OF LITERATURE

To comprehensibly investigate the study, relevant research and literature concerning the topic of this study were reviewed as follows:

2.1 MP3 AND MP3 PLAYERS

MP3, a famous audio format, is an abbreviation of Motion Picture Experts Group Audio Layer 3. The technology of MP3 allows audio compression from analog signal to digital signal to reach a ratio of 12:1 with minimal quality loss, making the files smaller and easier to send across the Internet. MP3 is part of MPEG, an acronym for Motion Pictures Expert Group, a family of standards for displaying video and audio using lossy compression technique (*Mp3*, 2008). According to Bellis (2007), the time lines of MP3 development are as follows:

- 1987 - The Fraunhofer Institute in Germany began to conduct their research code-named EUREKA project EU147, Digital Audio Broadcasting (DAB).
- January 1988 - Moving Picture Experts Group or MPEG was established as a subcommittee of the International Standards Organization/International Electrotechnical Commission or ISO/IEC.
- April 1989 - Fraunhofer received a German patent for MP3.
- 1992 - Fraunhofer's and Dieter Seitzer's audio coding procedure was integrated into MPEG-1.
- 1993 - MPEG-1 standard launched.
- 1994 - MPEG-2 developed and published.
- November 26, 1996 - United States patent issued for MP3.
- September 1998 – The patent right was enforced by Fraunhofer which meant all developers of MP3 encoders or rippers and decoders or players had to pay a licensing fee to Fraunhofer.
- During summer of 1998 - Portable MP3 player was launched.

MP3 player is an electronic device that stores, organizes and plays MP3 audio files and other digital audio formats. In 1998, the era of the MP3 portable player began with the introduction of Saehan Information Systems' MPMAN in Korea and Diamond Multimedia's Rio in the U.S. However, the most successful MP3 player is not those two devices but iPod (*Digital audio player*, 2008).

The first iPod was introduced to the world on October 23, 2001. The first model of iPod used 5 GB Toshiba hard drives which could contain approximately 1250 songs in it (Block, 2005). As of 2008, the product line-up includes the hard drive-based iPod Classic ,which is the 6th generation of the first model of iPod, the touchscreen iPod Touch, the video-capable iPod Nano, the screenless iPod Shuffle and the iPhone, which is an integration of mp3 player with mobile phone(*IPod*, 2008). Now, the capacity of iPod is up to 120 GB which can contain approximately 30,000 songs in it (Apple Inc, 2008). In addition, on April 9, 2007, five and a half years since this popular digital music player was launched, Apple Inc. announced that the 100 millionth iPod had been sold. This record has made iPod the fastest selling music player in history (Apple Inc., 2007).

2.2 MAJOR FACTORS INFLUENCING BUYING BEHAVIOR

Kotler (2003) described that in order to understand the buying behavior of consumers, each major influencing factor on buyers should be acknowledged first. The major factors influencing consumers' buying behavior include cultural, social, personal, and psychological factors.

2.2.1 Cultural Factors

Cultural factors have the deepest influence on consumer behavior. Culture, subculture, and social class are especially significant in buying behavior.

1. Culture: Culture is the most fundamental determinant of a person's needs and behavior. The growing child obtains a set of values, perceptions, performances and behaviors through his or her family and other key institutions.

2. Subculture: Each culture is composed of smaller subcultures that give more specific identification and socialization for its members. Subculture includes nationalities, religions, racial groups, and geographical regions.

3. **Social Class:** Social classes are a relatively homogeneous and enduring division in societies which are hierarchically ordered and whose members share similar values, interests, and behavior. Social classes do not reflect only income but also other indications such as occupation, education, and area of residence. Social classes differ in how they dress, how they speak, how they use their free time, and many other characteristics. Social classes show differences in product and brand preferences in many areas, including fashions, home decorations, recreations, and vehicles.

2.2.2 Social Factors

In addition to cultural factors, a consumer's behavior is also influenced by social factors which can be categorized into three types as follows:

1. Reference Groups: A person's reference group consists of all the groups that have a direct or indirect influence on the person's attitude or behaviors. Groups that have a direct influence on a person are called membership groups. Some membership groups are primary groups such as family, friends, neighbors, and co-workers, with whom the person communicates with fairly, continuously, and informally. People also belong to secondary groups such as religious, professional groups and trade-union groups, which tend to be more formal and require less continuous interaction. People are significantly influenced by their reference groups in at least three ways. Reference groups expose an individual to new behaviors and lifestyles, and influence attitudes and self-concept. They create pressure for conformity that may affect actual product and brand choices. Although marketers try to identify target customers' reference groups, the level of reference-group influence varies among product and brands.

2. Family: The family is the most important customer buying group in the society and has been researched considerably. That is because family members establish the most influential primary reference group. We can differentiate between two families in the buyer's life. The family of orientation consists of one's parents and siblings. From parents a person obtains an orientation towards religion, politics, and economics and a sense of personal ambition, self worth, and love. A more direct influence on everyday buying behavior is the family of procreation which consists of one's spouse and children. Marketers are interested in the roles and relative influence

of the husband, wife, and children in the buying of a larger variety of products and services. These roles vary widely in different countries and social classes. Marketers need to determine which member normally has the greater influence in choosing various products. Often it is a matter of who has more power or expertise.

3. Roles and status: A person participates in many groups throughout life: family, club, and organization. The person's position in each group can be defined in terms of roles and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their roles and status in society. Therefore, the awareness of the status symbol potential of a product and brand is very significant.

2.2.3. Personal Factors

A buyer's decision is also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle, and personality and self-concept.

1. Age and Stage in Life Cycle: People buy different goods and services over their lifetime.

2. Occupation: A person's occupation also influences his or her consumption pattern. Sellers try to identify the occupational group that has above average interest in their products and services. A company can specialize in products for certain occupational groups.

3. Economic Circumstances: Product choice is greatly affected by one's economic circumstances. People's circumstances consist of their spendable income, savings and assets, debts, borrowing power and attitude toward spending and saving. Marketers of income-sensitive products should pay constant attention to trends in personal income, saving and interest rates, if economic indicators point to a recession.

4. Lifestyle: People coming from the same subculture, social class, and occupation may have quite different lifestyles. A person's lifestyle is the person's pattern of living in the world as expressed in the person's activities, interests and opinions. Lifestyle presents the "whole person" interaction with his or her environment. Therefore, marketers search for relationships between their products and lifestyle groups.

5. Personality and Self Concept: Each person has a distinct personality that influences his or her buying behavior. Personality can be a useful variable in analyzing consumer brand choices. The idea is that brands also have personalities, and that consumers are likely to choose brands whose personalities match their own. Marketers try to develop brand personalities that will attract consumers with the same self-concept, but the self-concept is quite unpredictable. Therefore, self-concept theory has had a mixed record of success in predicting consumer responses to brand images.

2.2.4. Psychological Factors

A person's buying choices is influenced by four major psychological factors: Motivation, perception, learning and beliefs and attitude.

1. Motivation: A person has both biogenic (hunger, tension) and psychogenic (recognition, esteem, belonging, etc) needs and a need becomes more of a motive when it is aroused to a sufficient level. A person's need would reduce the feeling of tension when it is satisfied.

Freud's Theory of Motivation: Freud believes that the psychological force which formed people's behavior is mostly unconscious as it will come out in their dreams. However, people do not fully realize this kind of behavior.

Maslow's Theory of Motivation: According to Maslow's hierarchy of needs in order of importance, they are physiological needs, safety needs, and social needs, esteem needs and self-actualization needs. People will try to satisfy their most important need first. When a person succeeds in satisfying an important need, he or she will then try to satisfy the next most important need. Maslow's theory helps marketers understand how various products fit into the plans, goals, and lives of consumers.

Herzberg's Theory of Motivation: Herberg builds up a "two-factor theory" of motivation-dissatisfiers, factors which cause dissatisfaction, and satisfiers, factors which cause satisfaction. Therefore, the marketers should find out what the customer's dissatisfiers and satisfiers are so that they can provide the best thing to the customer.

2. Perception: Perception is the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the

world. Perception depends not only on the physical stimuli but also on the stimuli's relation to the surrounding field and on conditions within the individual.

3. Learning: Learning involves changes in an individual's behavior resulting from experience. Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives which are internal stimuli, using motivational cues, and providing positive reinforcement. A new company can enter the market by appealing to the same drives that competitors use and providing similar cue configurations because buyers are most likely to transfer loyalty to similar brands than to dissimilar brands.

4. Beliefs and Attitudes: Belief is a descriptive thought that a person holds about something. Particularly, a global trend is the fact that buyers often hold distinct beliefs about brands or products based on their country of origin. Attitude is a person's enduring favorable or unfavorable evaluation, emotional feeling, and action tendencies toward almost everything such as religion, politics, clothes, and so on. Attitudes put them into a frame of mind of liking or disliking an object, and moving toward or away from it.

2.3 STAGES OF THE BUYING DECISION PROCESS

According to Kotler (2003), there are five stages in the buying decision process which are problem recognition, information searching, evaluation of alternatives, purchase decision, and post-purchase behavior.

2.3.1 Problem Recognition

During the first stage, the consumer becomes aware of a need or a problem. A need recognition can be prompted by internal or external stimuli. Marketers need to establish the circumstances that trigger a particular need. By collecting information from many customers, marketers can identify the most frequent stimuli that can grab an interest in a product category. Then, they can develop marketing strategies that trigger consumer interest.

2.3.2 Information Search

After recognizing the need, the customers will search for information of the products. Therefore, the marketers should provide sufficient information and choose an effective advertising channel that meets the customers' target.

2.3.3 Evaluation of Alternatives

After collecting product information, the customers will analyze which one can serve their needs the best such as the evaluation of brands, quality of products, or competitive prices.

2.3.4 Purchase Decision

In the evaluation stage, the customers form preferences among the brands in the choice set. After the final evaluation, the customers will decide to buy the product they prefer and consider the best for their needs

2.3.5 Post-Purchase Behavior

This stage focuses on customers' feeling occurring after buying the product. It is dependent upon the customers' expectancy before buying. If they have got what they first expect, they have a tendency for future consumption.

2.4 MARKETING MIX

The marketing mix is a set of marketing tools used by the company to pursue its marketing objectives in the target market. The stated marketing tools consist of product, price, place, and promotions or the four Ps (Kotler, 2003)

2.4.1 Product

It is the first element in the marketing mix. Product can be both tangible and intangible (service). For the tangible part, it includes quality, design, feature, brand name, packaging, sizes, etc. For the intangible part, it means "service" and it covers delivery, repair, etc.

2.4.2 Price

It is the amount of money that customers have to pay for the product or service. In this section, it deals with retail price, discounts, and credit terms, etc. The price setting should go with the value of the product, if not, the consumer will turn to competitors in choosing their products.

2.4.3 Place

It stands for the activities that the company takes to make the product accessible and available to target customers. It includes channels, coverage, assortments, locations, inventory, and transportation.

2.4.4 Promotion

It is a communication process which persuades target customers to buy the product. Promotions are in many forms such as sales promotions, advertising, sales force, public relations, personal selling, and direct marketing.

2.5 RELEVANT STUDIES

There are a lot of research studies related to modern electronic devices like MP3 Players and Mobile Phones. However, previous researchers focused mostly on attitudes or consuming behaviors of teenagers, as the study population, towards the devices.

2.5.1 A Study of Teenager Purchasing Behavior Towards Modern Technology: A Case Study of Portable Audio Players

According to the study of Sukanya Usawasuntarangkul (2007), the result showed that modern technology had affected the purchasing behavior of teenagers. Moreover, the family was also a factor that supported purchasing behavior of teenagers towards portable audio players as well. Moreover, the marketing factors like price and media also influenced their purchase of portable audio players as well. In addition, the study also investigated the attitudes of parents towards teenager purchasing behavior for portable audio players as well. The result of this section showed that parents helped the respondents choose the devices as well as encouraging the respondents to have portable media players. Moreover, most parents knew about the usefulness of the portable audio players and some of them also used the devices.

Although focusing mainly on teenage respondents, the study revealed some information about the parents' attitudes which were the adult population as well.

2.5.2 The Attitude of Teenage Students Towards the Use of Mobile Phones

According to the study of Jintana Lerdsrikittiwat (2005), the two main reasons for having a mobile phone among teenage students was convenience (60%) and usefulness in case of emergency (33 %), while the reason that to avoid feeling "not up to date" got only (1.7%). It can be inferred from this that the sample tended to have good reasons for having mobile phones. In addition, the findings showed that the

factor that influenced teenage students the most to have mobile phones was the family (50%).

2.5.3 Main Factors Influencing Consumers to/Not to Buy Watson's Skincare Products

According to the study of Chutima Nakapadungrat (2005), the majority of respondents normally did not buy Watsons' skincare products; they preferred other skincare's brands such as Nivea, and Vaseline. With reference to the 4Ps of Watson' s skincare products, "Product" appeared to be the main factor that influences consumers to buy Watson's skincare products, while "Price" was the main factor that influences consumers not to buy Watsons' skincare products. In the consumer's view, quality and packaging were the main components of "Product" that needed improvements. Though a great number of consumers were very impressed by the "Price" in terms of its competitive price, it was recommended that the "Price" should not be set to be too low, as it might conflict against good quality.

2.5.4 Marketing Factors Contributing to Consumer Behavior in Car-Tyre Purchasing in the Wongwien22 Karakadakom Area (Maitreejit Road)

According to the study of Panyapol Ingkavaranuwat (2007), the product factor played an important role in the purchasing decision. Although the level of attention that the respondents paid to the price factor, the service offered by both employees and shop owners were factors at a moderate level, the place factor was at a moderate level which needs improvement. The promotion factor also had a vital influence on their behavior in car-tyre purchasing. The findings of this present study suggested that the relevant car-tyre shops should improve the place factor, especially the availability of car parking in the Maitreejit area as well as being more convenient for choosing products.