

# Chapter 11

## Why Are Filipino Consumers Strong Adopters of Mobile Applications?

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### ABSTRACT

*In this chapter, the authors study factors such as ease of use and personal innovativeness in order to understand the consumer adoption of mobile technologies in the Philippines in order to build on existing adoption theories for academics and make recommendations to practitioners. The research questions include: (1) What key factors drive adoption of mobile technologies by Filipino consumers? (2) How are Filipino mobile consumers personally innovative in their use of mobile technologies? The authors surveyed 725 mobile Filipino consumers. The resulting linear regression model shows a significant amount of variance explained for behavioral intention to use mobile applications. Personal innovation had a strong statistical impact on both attitude toward using and behavioral intention to use.*

### INTRODUCTION

Global mobile technology use has grown exponentially. A survey of Filipino consumers in particular showed that more than 83% cannot live without their mobile phone (Ipsos, 2013). Some drivers of mobile phone adoption can be attributed to common themes: affordability, accessibility, compatibility, effort or ease of use, experience, perceived playfulness, perceived usefulness, service quality, safety concerns, social

influences and technical support. Each of these themes describe different adoption motivations, and appear in multiple studies examining the Internet and mobile technology research.

Consumer interest in Southeast Asia of the mobile phone has been high. In the Philippines in particular, because of poor landline infrastructure, mobile phone adoption has been rapid, even saturated. The latest industry statistics indicate almost 107 phones per 100 people, where people own multiple handsets with multiple SIM cards

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(Green, 2013). Despite the penetration, most post-paid plans are still too expensive for the majority of the population. About 95% of all phones still operate on a prepaid basis. Because of geographical diversity and diffusion of populations, mobile coverage quality also varies widely. While access to mobile signals is relatively consistent in urban areas, provincial access has been spotty (Asian Mobile Market Forecast, 2014).

Because of often-limited services and peculiarities in market pricing, SMS was initially offered as a cheaper service than voice or data services. Filipino users were therefore heavily subscribed on SMS versus voice. Filipinos used SMS at more than two to three times the rate of neighbors such as Indonesia and Japan (hubpages, 2014). A large portion of the population is employed abroad as overseas workers, in the Middle East, Europe, and North Asia; these overseas workers remit funds home and communicate heavily through mobile technologies. With the advent of smartphones, Filipinos also now access social media like Facebook or Twitter through mobile devices. Despite the higher cost of data access versus SMS, Filipinos in 2013 spent an average of 8.7 hours online per month (Interviews with telecom officers, 2014).

Today, it was found that the Philippines is the top country in terms of Internet utilization at 76% of the population, spending an average of 21.5 hours online (We Are Social, 2012). This study showed that the average Filipino is just 23 years old where Facebook, Twitter, and other social media played a central role in the lives of all consumers. This is true especially in the province areas where they may be quite isolated in that 7,107 islands that make up the Philippines. This study showed that 12% of Filipinos live outside the country and these Overseas Foreign Workers (OFWs) provide significant income back to the Philippines. Filipinos were the greatest users of SMS, taking account of the number of transactions, sending more than one billion messages per day. Social media in the Philippines does not show signs of slowing up,

with Filipinos setting up 250,000 Facebook accounts in the past month alone.

To encourage the consumption of more profitable data services, and to mitigate churn (while two providers in the Philippines dominate share of market — SMART and GLOBE — there is nevertheless high churn of customers from one telecom company to another) the telecom company supplies users with a broad array of weekly prepaid offers. One telecom reportedly offers an average of 200 new bundles per week. Users receive daily offers, for example, that charge less than \$1 for unlimited Internet for one day, or unlimited SMS for three days, etc. (Interviews with telecom officers, 2014).

The combination of high handset penetration, emigration, wide variation of service quality, relatively expensive voice and data access, limited user resources and high churn combine into what Drucker calls an incongruity of economic realities (Drucker, 1985). Incongruities are one of seven drivers of innovation, a gap, if you will, that results from the differences between the economic situations of customers and advances in mobile technologies. Heavy users such as the Filipino youth market, for example, are known to squeeze maximum use of limited budgets by creative manipulation of multiple SIM cards and bundled plans. We therefore decided to test for the innovativeness not so much of Philippine telecom providers, but from Filipino users themselves.

In addition to the common drivers of mobile applications usage, several applications drive the success of mobile use including online payment methods, mobile web surfing, mobile learning, gaming and entertainment, mobile banking or mobile reservations, not to mention making a phone call or texting (Wang, Wu, & Wang, 2009). In a 2014 Tech in Asia study of online payment methods for consumers and merchants in the Philippines, it was found that traditional banking penetration has only been 27% thereby increasing the need for alternative purchasing channels

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