CHAPTER 1. INTRODUCTION

1.1 Background

In such a competitive technology sector, customer satisfaction becomes the key factor to business success. It is especially important for markets such as Malaysia, where the consumer preferences are quickly changing because of the technological advances. This constant cycle of change to meet the increasing consumer expectations forces companies to increase product quality and perceived value, causing a need for constant improvement (Kotler & Keller, 2018). Like Huawei, Malaysia is facing similar challenges. The fact that customer satisfaction serves as an indication of a company's current market standing as well as a dream for its potential growth, customer satisfaction works as a measure said by Shaikh et al. (2023). In the case of Huawei, to explore how to understand and satisfy customer expectations can have direct impact on market penetration and retention in the Malaysia market (He, 2024).

Customer expectations are key to forming satisfaction levels as customer expectations are used as a baseline for which product performance is compared to (Parasuraman, Zeithaml & Berry, 1988; Zariman, et al., 2023). Increasing the likelihood that customers will become loyal is when customers' expectations are satisfied through their experience (Anderson & Sullivan, 1993; Liu, 2024). It is largely determined by Huawei's ability to meet diverse customer expectations, in local markets where conditions and preferences are specific and are influenced by a local market condition, cultural preference and economy. It was reported by Nguyen, et al. (2020) that Malaysia consumers care most about affordability and the reliability of brands (and not price disqualification) when buying smartphone, which is why Huawei needs to change its strategies to attract Malaysia consumers.

Thus, how these expectations are formed and how they influence customer satisfaction needs be understood to continue to grow in the Malaysia market for Huawei (Setiobudi, et al., 2021).

Customer satisfaction is heavily influenced by perceived quality which creates the overall experience of a product's value (Zeithaml, 1988). Perceived quality in smartphones context encompasses product physical attributes and features, after sales service, brand image and technological innovation (Hossain, et al., 2021). Being an investment in R&D, Huawei aims to improve its perceived quality by designing and delivering the latest features and robust device performance. Nevertheless, attaining the level of high perceived quality in the market of Malaysia requires to tackle the needs of the specific customer on the aspects of the product durability and the relevance of product features with daily use (Setiawan and Irawan, 2022). Positive Quality image, as suggested by Kim and Hyun (2018), will alleviate effects of minor service failures to ensure higher levels of customer satisfaction. Since Huawei has to compete in such competitive smartphone market, it essential for Huawei to focus on perceived quality in order to shape and secure the strong brand reputation in Malaysia.

Another important factor that affects the customer satisfaction is perceived value that is the evaluation of the benefits of a product to the one who will buy it and compared with the product's cost (Monroe, 1990). Particularly so for emerging markets such as Malaysia, where consumers are extremely price sensitive (Chang & Wildt, 1994; Zhuang, 2023). A study by Ali (2020) indicated that perceived value is a strong predictor in the satisfaction of customers in the context of smartphone industry, as customers normally evaluate what it offers, what is its price and most importantly decide to buy or not. In Huawei's case, products that provide sufficient room for innovative features, while being a little expensive can create perceived value, though attract price sensitive consumers (Yu, Duan & Fan, 2020). This is consistent with the findings by Opata, et al. (2020),

who established that perceived value affects directly on repurchase intentions, as well as the criticality of perceived value for ensuring long term customer satisfaction. Thus, by adhering to pricing stratagem compatible with products perceived value, Huawei can and enhance customer satisfaction and loyalty in the Malaysia market.

The customer expectations, perceived quality and perceived value interaction is complex, but influences overall customer satisfaction directly (Woodruff, 1997; Patil & Rane, 2023). If expectations are met and, in some cases, exceeded, customers are more likely to perceive high value and/or high quality, which should result in greater satisfaction (Liu, 2024). When it comes to Huawei's strategy in Malaysia, this is a critical concept because there, the brand must keep up with varying customer tastes and market trends. Singh and Sirdeshmukh (2000) concluded that customer satisfaction is enhanced with the congruence between what customers expected and perceived quality, which in turn increases customers' perceived value. Such dynamic implies that Huawei should not just deliver basic customer expectations but also prioritize to enhance the product features and service that should be more competitive compared with the Malaysia market. Saut and Bie (2024) determined that when competing in the marketplace, yielding customer satisfaction through perceived superior quality can give a possibility to create unique competitive insight while establishing a brand loyalty through customer satisfaction.

Considering the Malaysia smartphone market, Huawei can experience both challenges and opportunities to manage customer expectation and deliver perceived quality and value customer perception. Due to high competition of the market by other global brands such as Samsung and Oppo, Huawei must do strategic innovation and marketing (Kabeyi, 2018). While Malaysia consumers often have the perception that foreign brands are of higher quality, these consumers often do not purchase foreign brands because they are more affordable

(Chang & Tsai, 2022). Not only this, but Huawei must be able to offer products that are a competing price but also perceive high quality. More (2023) shows that brands that can straddle these elements ideally generate higher levels of customer satisfaction and market share in Malaysia. On this note, we argue that one of Huawei's key strategies to enter the Malaysia market is to take advantage of its technological strengths as it could alter its price to offer Indian products relevant to Malaysia market sensitivities.

The Huawei strategy in Malaysia should orient around understanding the dynamics of customer expectations, perceived quality and perceived value. If the company can provide its offerings coupled with high perceived quality and value alongside the company is able to match/discharge for customer expectations, then the company would achieve significant customer satisfaction and market share. Empirical studies have found that brands that are able to do so are going to create a lasting competitive advantage even in very competitive industries (Jahan, et al., 2019). The challenge for Huawei is to continue innovating and also to stay in tune with Malaysian consumers. The objective of this research is to examine how these factors interact in the case of Huawei in Malaysia to increase the understanding of academic and practical approaches to enhance customer loyalty.

Customer satisfaction remains a critical factor in determining the success and sustainability of businesses across various industries. In today's competitive market, understanding the key drivers that influence customer satisfaction is essential for companies striving to enhance their service quality and customer experience. Among these drivers, customer expectations, perceived value, and perceived quality play a significant role in shaping overall satisfaction levels. Expectations set the benchmark for customer experiences, while perceived value reflects the trade-off between benefits received and costs incurred. Meanwhile, perceived quality represents the customer's evaluation of a product or service based on their experiences and comparisons with alternatives. This study aims to

examine the interplay of these three factors and their impact on customer satisfaction, providing valuable insights for businesses seeking to improve their service strategies and foster long-term customer loyalty.

1.2 Problem Identification

As the Huawei of the world, customer satisfaction is a multi-factored concept influenced by so many factors, so many of which are beyond the control of the companies implementing them, that it's a difficult thing to do well in a multitude of markets like Malaysia. The main issue here is the match of customer expectations to the quality of products as perceived by them. If companies do not reach the customers' expectations, the customer perceived quality and value of the offering will fall (Anderson & Mittal, 2000). Of relevance to this issue are emerging markets, where consumers demand international brands like Huawei, but at the same time are highly sensitive to value for money (Chang & Wildt, 1994; Hendijani Fard & Marvi, 2020). In addition, the smartphone industry sees fast development in the pace of technology which makes customer expectations increase and demand for innovation and improved features continuously (Rani, 2021). At Huawei, realising this means it has successfully integrated technologies into its products in myriad ways, though the challenge remains in ensuring the relevant innovations address the specific needs and desires of Malaysian consumers (Ali, 2020). Research by Hossain et al. (2020) suggests that a mismatch between perceived value and actual product performance could very substantially affect customer satisfaction and result in decrease in loyalty as well as market share. To tackle these challenges, Huawei needs to have a profound comprehension of the interactive procedures between customer desire, the believed quality, and the believed benefit, making it a main zone of research for Huawei's strategy in Malaysia.

1.3 Problem Limitation

A limitation of this study is that the expectations of Malaysian consumers are extremely diverse across regions, and demographic groups, which are not easy to capture. However, Hinduan, Anggraeni and Agia (2020) asserted that consumer expectations in Malaysia are influenced by cultural and socio-economic factors, and it is hard to standardize the satisfaction measures. A second problem arises from the rapid technology change, which can result in discrepancies between perceived quality and actual product performance over time (Kim et al., 2009). Furthermore, in emerging markets, such as Malaysia, there is high price sensitivity which impairs Huawei's capacity to balance affordability, advanced features (Wong, 2019).

1.4 Problem Formulation

In this study, research questions are developed to quantify the relationships between customer expectations, perceived quality, perceived value and customer satisfaction with Huawei's products in the Malaysian market. These questions attempt to better understand how these variables work together to influence consumer satisfaction.

RQ1: Do customer expectations influence customer satisfaction with Huawei products in Malaysia?

RQ2: Does perceived quality influence customer satisfaction with Huawei products in Malaysia?

RQ3: Does perceived value influence customer satisfaction with Huawei products in Malaysia?

1.5 Research Objectives

Based on the three research questions, the research objectives can be aligned as follows to guide the study's focus:

RO1: To examine the influence of customer expectations on customer satisfaction with Huawei products in Malaysia.

RO2: To assess the impact of perceived quality on customer satisfaction with Huawei products in Malaysia.

RO3: To analyse the impact of perceived value on customer satisfaction with Huawei products in Malaysia.

1.6 Contributions of Research

This research divides the contribution of the research into two parts, theoretical and practical, which can be used for business strategy and also for academic understanding. This study theoretically contributes to the literature on consumer behavior by examining the coupling of customer expectations, perceived quality, perceived value, and satisfaction. Zeithaml (1988) and Parasuraman et al. (1988) previously identified these factors as important separately, and this study extends the understanding of exactly how these factors interact specifically within the Malaysian context. In addition, it has enriched the theoretical frame of customer satisfaction by linking the peculiarities of the Malaysian consumers' culture and economy, as well as by adaptation of the existing theories to newly emerging markets (Wilson & Makmud, 2018). In addition, this research extends the discussion of perceived value by considering its mediating role in quality perception – an important step toward creating the understanding of customer loyalty in price sensitive market (Monroe, 1990).

In terms of practice, this research provides achievable strategic planning implications to Huawei in Malaysia so that the company can better anticipate customer's requests in terms of the product offering. The factors that determine customers' satisfaction are understood, and Huawei can optimize the product features and marketing strategy to improve growing of customers (Ali, 2020). The findings can also help Huawei strike a balance between product quality and price to create perceived value and maintain competitive advantage in an economy driven by price sensitivity (Wiwaha & Budiyanto, 2021). In addition, this study provides important useful information for policy makers and industry stakeholders to support initiatives to improve customer satisfaction and competitiveness of Malaysia's technology sector which will contribute to the economic development.

1.7 Explanation of Terms

In the context of this study, it is critical to understand the key terms that fall in between the relationships of customer expectations, perceived quality, perceived value, and customer satisfaction.

Customer expectations is described as customer standards used to judge a product or service. In agreement with Parasuraman, Zeithaml and Berry (1988), expectations are shaped from our past experiences, word of mouth communication and marketing efforts. In terms of Huawei products in Malaysia, these expectations can be about technological innovation, such as the price of the Huawei or Huawei product. To understand how expectations are set, it is critical because meeting or exceeding these benchmarks result in higher levels of customer satisfaction (Anderson & Sullivan, 1993).

The second critical term is perceived quality: the consumer's judgment of the overall excellence of a product (Zeithaml, 1988). Perceived quality is subjective quality and can be different observers than objective quality which is

based on measurable characteristics. Perceived quality has been shown to depend on factors including brand reputation, device performance and after sales services (Kim et al, 2009). The improved overall user experience often results in higher customer satisfaction in the highly competitive smartphone market, and therefore a higher perceived quality often correlates with higher customer perceived satisfaction (Chang & Wildt, 1994).

The perceived value is usually defined as customer evaluation of benefits from a product against the costs of this product (Monroe, 1990). In particular, this concept is applicable in the price sensitive market of Malaysia where the consumer decides whether to buy a given smartphone based on the price, features and quality of the smartphone (Kuo, et al., 2009). Depending on the level of value perceived by customers, purchase decisions and their levels of saturation can influence because customers are more likely to rate their satisfaction positively if they believe that that they received a good deal for their money (Ali et al., 2019). Understanding perceived value provides Huawei the ability to differentiate products that strike a balance between superior features and affordability to a wider range of customers.

Finally, customer satisfaction refers to the measure of a product or service fulfilment of or exceeding consumer expectations (Liu, 2024). This is a critical outcome variable in this study because it directly relates to the issue of whether or not customer loyalty and word of mouth promotion will be influenced. In the case of Malaysia, for Huawei's strategy, if high levels of satisfaction are to be achieved, then there must be a consideration of the factors that affect it, namely, meeting expectations, high perceived quality and this competitive value over others. External factors such as market competition and changing preferences of consumers also impact customer satisfaction; collectively, these factors constitute only one aspect of customer behaviour that can change over time and should be paid attention to constantly.

1.8 Publication Plan

This study will be published in academic journals within the realm of consumer behavior; marketing; and emerging markets. Thus, the International Journal of Research and Innovation in Social Science (IJRISS) is considered a suitable outlet for the publication of this research. The journal is accessible at https://www.rsisinternational.org/journals/ijriss/ and has consistently published scholarly work focusing on contemporary issues in social sciences, including business, marketing, and consumer behavior.

Established as a multidisciplinary platform, IJIRSS is particularly appropriate for this study because of its emphasis on empirical research, practical implications, and emerging market contexts, including countries like Malaysia.

Furthermore, the journal encourages contributions that examine the interplay between customer expectations, perceived quality, perceived value, and customer satisfaction—which forms the core framework of this study.