

The purchase decision of automobiles in malaysia



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Literature review is description of the literature relevant to a particular topic or field. Literature review seeks to describe, evaluate, summarize and clarify the content of the relevant topic. It is done in order to give a clearer image and information in the current research study. In this chapter, the literature review will capture the past findings like information, ideas, data, and evidence that written from a particular standpoint to fulfill certain aim or express certain views to support the current study.

Marketers need to understand more in depth on the factors that may attract and influence consumer when they have a desire to purchase a product so they can build strong and long relationship with customer. When it comes to purchase a car, there are many factors and element that might influence and affect purchasing decision. In this chapter there are some findings and arguments from the researchers.

2. 1 Transportation

Basically transportation is any device used to move items and passengers from one location to another. The process of moving and carrying items or peoples from point A to point B. Common transportation can be found include planes, trains , automobiles and two-wheel devices such as motorcycles or bicycles. Modes of transport include road, water, air, rail, cable, pipeline and space. Transport may be public and private determine by the usage. Private transport is only subject to the owner of the vehicle, who operates the vehicles themselves and public transport operations is done through private enterprise or by government.

In the aspect of economic, transport is a necessity for specialization.

Throughout the history, transport has been a spur to expansion. It allows more trade and wider spread of people. Economic growth has always been dependent on increasing the capacity and rationality of transport (Stopford, 1997). Transportation helps make civilization possible and without it, there could be no trade, without trade there could be no cities and towns.

2. 2 Automobile

An automobile or car is a wheeled vehicle that carries its own motor and transport passengers. The automobile was not invented in a single day by a single inventor. The history of the automobile reflects an evolution that took place worldwide. History of automobile starting with the first steam, electrical and gasoline-engine cars. In 1780s in Russia, Ivan Kulibin started working on human-pedaed carriage with a steam engine. He finished working on it in 1791 with its features included flywheel, brake, gearbox, and bearing which are also the features of a modern automobile. His design had three wheels and the Czarist government unable to see the potential market and there was little private development, therefore the vehicle was not developed further.

The steam powered vehicles in the early stage were so heavy that they were only practical on a perfectly flat surface as strong as iron. The later steam vehicle got bigger and heavier and they eventually capable of pulling a train of many cars filled with freight and passengers. The first automobile patent in the United states was granted to Oliver Evans in 1798 and Evans demonstrated his first successful self-propelled vehicle. His steam-powered vehicles was able to travel on wheels on land.

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The first carriage sized automobile was invented in 1871 powered by steam in the United States. The automobile was invented by Dr. J. W. Carhart, a minister of the Methodist Episcopal Church, in Racine, Wisconsin. They stipulated that the vehicle would be able to maintain an average speed of more than five miles per hour over a 200-mile course. Steam engines powered by burning fuel that heated water in a boiler, creating steam that expanded and pushed pistons that turned the crankshaft, which turned the wheels. At that time, steam car development continued, leading to significant advances by the early 1900s.

In 1828, a Hungarian name Anyos Jedlik who invented an early type of electric motor, created a small model car powered by his new motor. In 1834, Vermont blacksmith Thomas Davenport, the inventor of the first American DC electrical motor, installed his motor in a small model car. A German name Karl Benz built his first automobile in 1885 with gasoline-powered internal combustion engines. Benz was granted a patent for his automobile on 29 January 1886 and began the first production automobile in 1888. By 1900, it was possible to talk about a national automotive industry in many countries. Throughout the veteran car era, automobiles were seen as more of a novelty than a genuinely useful device. Breakdowns were frequent, fuel was difficult to obtain, road suitable for travelling were limited and rapid innovation caused a year-old car nearly worthless (www. wikipedia.com)

By the 1930s, most of the mechanical technology used in today's automobile had been invented and some things were later re-invented and credited to someone else. The modern era is normally defined as the 25 years

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preceeding the current year. However, there are some technical and design aspect that differentiate modern cars from antiques. Without considering the future of the car, the modern era has been one of increasing standardization, platform sharing, and computer-aided design.

The world automobile market has been dominated by manufacturers from developed countries. Develop country manufacturer first served their own local market and then sought to exports and expand market to foreign countries. In 2010, estimation of 1billion cars and light trucks are on the road around the world. There are approximately 250million vehicles in operation in the United States. In 2009, China was the biggest trend in auto sales and China has become the world's largest car market currently. All major car manufacturers aggressively pushing their smaller, high efficiency vehicle in 2011 because of the high gasoline costs (Phukett Research 2008, Retrieved 2010-09-09)

Car has become the biggest transportation that can be found around the globe right now and the numbers keep increasing. In the past decades, the world car industry has become a leading manufacturing sector. The automotive market now is strongly dominated by advanced country like Western Europe, Japan, United State and South Korea. This country contributed to more than 90% of the world production and exports. The trade of car exceeds 1000billion dollars with Germany, Japan , Canada alone contribute to half of the world exports (United Nations, 2007). Smaller emerging countries also closing the gap with spectacular production growth rates and Malaysia is one of the country included. Many emerging countries

know that they can develop their own car, export in the world market and compete directly with the triad.

Malaysia has transformed from an agriculture-based country two decades ago to industrialization. The discovery of gas and oil in Malaysia had further spurred the growth. The usage of car in Malaysia can be categorized into 2 groups, personal use and business use. For personal use, consumers purchase the car for their own use and purpose also called end user. Consumers in Malaysia also purchase car for business use for example taxi and company car, they use car to earn and generate revenue in daily working basis.

In 1926, the automobile industry began in Malaysia when Ford Motor Co of Malaya incorporated in Singapore. Then later came the separation from Singapore, which upset the plans as the expected domestic market was substantially reduced. The government began processing applications for auto assembly and components manufacture in the late 1960s. The idea for a made in Malaysia car was mooted as far back as 1980 when Dr Mahathir Mohamad ordered the Malaysian Industrial Development Authority to carry out a feasibility study of the project. Japan automaker Mitsubishi works together to assist Malaysia and Proton Saga was the first Malaysia car in the market followed by Proton Wira, Iswara , Waja , Perdana, etc.

2. 3 Purchasing decision of automobile

The experience owning a car is relatively infrequent occurrence that constitutes one of the important expenditure. Car is durable product and when developing it, insight into what aspect of the product are most

important to consumer is useful. This ensuring the product design fits to and communicates the aspects that are important to consumers. Of course focus on one aspect doesn't mean that other aspects can be neglected. The importance of certain product aspects in buying durable product differs with demographic characteristics, such as age, gender and social class.

In previous research, relations between the importance of functional and expressive product aspect and variables such as age, gender, social class have been indicated (Henry, 2002; Holt, 1998; Williams, 2002). Family members may play different roles in making decision within the family. They may contribute information and they may decide where to buy, time to buy, which brand and how to use the product. For past research, found that family members roles played differ with regard to the product being purchased, the stage in the decision-making process and characteristics of families and spouses (Blech and Ceresino, 1985; Davis, 1976; Piron, 2002; Webster, 1995). These roles may change from time to time due to changes in the environment, such as economic development, which lead to adjustment in the role structure of the decision-making process.

Some researcher have questioned the nature of rationality in making purchasing decision, stressing the underpinning and social construction of collective rationality. The cultural and political influences at work, and representing human rationality in the behavioral terms (Wensley, 1997; Patton, 1996). One of the demographic variable is concerning the influence of gender on certain product aspects. Henry(2002) concluded that females use less functional purchase criteria than males.

Williams (2002), who respondents indicate the importance of several criteria for nine types of products, found that performance, durability, reliability, style, quality, appearance and etc were important to females. Research shows that males more indicate functional items that are valued for their instrumental value as their favorite possessions. Dittmar et al. (1995) found that men tend to buy instrumental items, while women tend to buy symbolic emotional aspects of self. Females more sensitive to the color of an electronic scanner than males, which points to the more attention to aesthetic aspects. (Smith, 1995)

The relation of age also an important aspect and Henry (2002) found that younger consumers use more expressive purchase criteria. Wallendorf and Arnould (1988) found that younger people focused more on hedonic pleasures in choosing their favorite objects. Older people are more sensitive to utilitarian brand image aspects (Hsieh et al. 2004). In the other hand, Wallendorf and Arnould (1988) found older people less likely to choose functional as opposed to display items as favorite possessions. Based on these findings conducted by researchers, they found that younger people are likely to pay more attention to aesthetic and symbolic products than older people. They expect older people to move toward utilitarian aspects in buying durable products, and will assess whether this applies to functionalities as well as quality and ease of use.

In marketing and consumer science, there is a long history of studying purchase decision process and a considerable amount of conceptual and empirical work exists relating to how consumers make decisions (Lehto, 1997). However, Moreau and Dahl (2005) stated that majority of it has

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focused on understanding the ways in which consumers learn about, construct preference for, and choose among existing standard product or services designed to meet their previous identified needs. Branding has been subject to considerable research and debate by many researchers. Despite this interest, there are some areas where research is limited, dated, or contradictory (Glynn et al., 2007)

In the past decades, economy of China has grown at an extremely pace resulting in a booming number of affluent and middle class consumers. Despite the worldwide economic downturn in 2008, China's appetite for high-end product has shown a strong upward momentum. Germany luxury carmaker BMW saw sales in China jump by 44 percent in June of 2009, while United States sales fell by more than 20 percent (Knowledge@Wharton, 2009). Consumers' consumption needs have been largely influenced by the cultural, economical, social and environmental factors. A lifestyle analysis perspective could serve such a purpose, as lifestyle concept provides an approach to understand consumers' everyday needs and wants (Michman and Mazze, 2009).

When come to purchase a car, consumer always face numerous decisions related to product itself, its purchase and intended usage. Researchers have extended considerable effort to have better understanding on how such decisions are framed. Among the myriad parameters that influence the purchasing decision and consumption of a product are its country of origin . Marketer and researchers generally agreed that a product's country of origin is actually important in consumer decision making.

The role of consumer behaviour in improving and protecting environmental quality is important to sustainable communities. Studies based on survey research suggest that there is a positive relationship between attitudes of the environmental concern and environmentally friendly consumer behaviour (Minton and Rose, 1997; Robert and Bacon 1997; Robert, 1996; Gatersleben and Steg, 2002). With respect to consumer behaviour, automobile emissions are the single largest contributors with almost 50 percent of personal pollution to several pollutants including carbon dioxide and nitrous oxide.

2. 2 Factors influencing the purchase decision of automobile

2. 2. 1 Brand image

Fierce competition forces firms to adopt strategies that create competitive advantage for the firm. A well established brand name is one way of achieving this aim. Firms invest heavily in developing a brand and it is a very pricey process but has high returns once succeed is achieved. Brand image can be recognized as one of the core area of the marketing research field and many researchers have done researches based on this element.

Brand image keep changing as the environment changes for example many brand start up unknown and slowly build a positive brand image through stages. Some brand will rapidly build with their name while some may die-off and disappear in a short period of time. A good example of brand still survive and compete strongly in the market is Nike sport wears. Researchers found that market is more important than factories because factories may rust away, packages become obsolete, product will lose relevance, but a good brand name can last forever. Brand image is established when consumers

develop ideas, expectation and feeling towards certain brands as they learn, memorize and become accustomed to them.

Many firms do not always invest heavily creating a new brand name each time they develop a new product, however a more economical strategy being used to introduce a new product. Instead of giving a new brand name to a new product, an existing well known and established brand name is extended into the new product category which in other words, brand extension is used. It is a fact that developing a new brand requires more fund to invest compare to create a brand extension which is what motivates firms prefer brand extensions more than creating a new brand. The brand is one of the most important asset that a firm owns. A firm with a high brand equity achieves high perceptions of the brand by the customers, greater loyalty from customer, high profit margin, less threaten by competitors' marketing actions, less price sensitive by customer, higher support of middleman, higher marketing promotion effectiveness, increasing licensing and brand extension opportunities (Keller, 2008, p. 49).

There are numerous definition of the term brand image found in the literature. The American Marketing Association (cf. Kotler, 2000, p. 404) defines a brand as a name, sign, symbol, design, or combination of them. A brand has been seen as essentially being a seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers (Kotler, 2000). Therefore the brand is not only just a name, the important is to develop a deep set of positive associations for the brand image. Consumer chooses brands to received emotional benefit they believe such as prestige and status.

Brand name is a name, term, design or all the above used by a firm to differ themselves from their competitors. Brand image can be said as the set of association elaborated in imaginative capacity of the consumer, who allows the brand to reach higher volume of sales than product without a brand name (The Marketing Science Institute). A good brand image brought up by promotions and advertisements and by communicating a well defined brand image allows consumers to identify need satisfied by the brand.

Thakor and Katsanis (1997) claimed that a positive brand image can make up for a country of origin's inferior image and a product holds a famous brand, it can delete consumers' negative perception of that particular country. Brand image is important because consumer believed and perceived that the quality and brand name are interrelated. More research has discovers that the level of consumer loyalty, trust and intention to purchase have relation with a good brand image. Therefore, brand is a way to show an individual status and identity and rank among their social group. Doyle (1998) stated that successful brands have created wealth by attracting and retaining customers as a result of combining an effective product, distinctive identity, and added values in the mind of the consumer.

The quality of the product is an important aspect when forming a perception about the brand. The customer evaluates the brand according to his or her perceptions of quality which is sometimes more difficult than actually delivering high quality (Aaker, 1990, p. 48). Consumer who has strong attitudes about the quality of the brand tend to transfer positive attitude to the product. Car quality is often hard to evaluate prior to purchase and buyers may have to rely on car manufacturers' reputations and consumers'

reactions to cars are often emotional and unconscious (Seidel et al., 2005). The reassurance, distinctiveness, and image of an established brand elevate the perceived value of a car. Therefore, a prestige brand is able to follow premium pricing strategies. The commercial importance of brands is undoubtedly evident and benefits of a great brand include short-term gain on recognition to long-term competitive advantage which translated into revenues and profits.

Valuing brands is not a straightforward task because there is no formal market for buying and selling brands. Simon and Sullivan (1993) who extract brand equity from the firm's intangible assets. Using market value of the firm, this technique focuses on a forward-looking perspective and takes into account new information. Several researchers have attempted to quantify brand equity by focusing on the consumer perspective. Srivivasan (1979) measures brand equity by testing preferences for different primary health care physicians.

Kim et al. (2003) value brand equity on different dimensions, which include brand loyalty, brand awareness, perceived quality and brand image. The firm seeks to communicate the message about a brand is known as brand identity (Aaker, 1991, 1996). This communication is undertaken via the product, the brand name, symbols, logo, historical roots, brand's creator and advertising (Kapferer, 1998). However, the message that a firm seeks can be different to what consumer perceives, which referred to as the brand image. Buyer may assume or expect a thing about a firm without any objective evidence and they will hold an opinion (Hague and Jackson, 1994).

A brand that is established and has the patronage of consumers is said to possess brand loyalty. Brand loyalty can be defined as a strongly motivated and long standing decision to purchase a product or service to the extent that buyers become loyal to a specific brand (Dibb et al., 2001, p. 271). It can be extremely advantageous to the seller because they require much cheaper cost to retain customers than attract new ones.

Buying a new car is considered a big investment and final decision is usually made after careful consideration. The automobile market consists of several car-type segment, for example mini car, sedan cars, and sport car. This market structure allows car makers to serve better to their customers, as different car types match with different customer needs. Brands names convey informations about various aspect of a product that are difficult to quantify such as reputation, status and heritage. This is particularly so in the car market where brand names play a traditionally important role in purchase decision for various reasons.

2. 2. 2 Lifestyle

A successful business operation normally dependent upon an adequate knowledge of consumer behaviour and lifestyle market segmentation strategies has become more significant and important. Lifestyle of potential consumer is viewed as one aspect of an overall marketing strategy which allow company to develop a more lifelike portrait of customer. Lifestyle analysis enhances target marketing and makes niche marketing feasible. Consumer lifestyles change from time to time. Adjustment to changing consumer lifestyles are important in order for marketing to progress smoothly (Ronald D. Michman, Edward M. Mazze, Alan James Greco, 2003).

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Well and Tigert (1977) stated that lifestyle segmentation has been a useful concept for marketing and advertising planning purposes. Lifestyle has been defined as how one lives but in marketing, lifestyle describes the behaviour of individuals, a small group of interacting people and large group of people acting as potential consumers. The concept represent a set of ideas quite distinct from that of personality. The lifestyle relates to economic level at which people live, how they spend the money, and how they allocate their time (Anderson and Golden, 1984).

Lifestyle segmentation research measures people's activities in term of:

How they spend their time

What interests they have and what importance they place on their immediate surroundings

Their views of themselves and the world around them and some basic demographic characteristics.

The most widely used approach to lifestyle measurement has been activities, interests and opinions rating statement (Wells and Tigert, 1977). The marketers and consumer researchers generally focus on identifying the broad trends that influence how consumers live, work, and play. It allows a population to be viewed as distinct individuals with feeling and tendencies, addressed in compatible segments or groups to make more efficient use of mass media.

Researchers tend to equate psychographic with the study of lifestyles.

Market Researchers used Psychographic research to describe a consumer

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segment so as to help an organization better reach and understand its customers. Lifestyle patterns provide broader views of consumers so that marketers can think more intelligently. The basic premise of lifestyle research is that the more marketers know and understand about their customers, the more effectively they can communicate with and serve them better (Kaynak and Kara, 1996). Majority of lifestyle studies have been carried out in the western countries, lifestyle analysis in some countries like Turkey is surely lacking.

Prior research has shown that employed consumer lifestyle to predict and profile natural segments of users for a number of products and services (Fournier et al., 1992). Researches on alcohol in particular tied lifestyle to levels of consumption for beer, wine and spirits (Lesch et al., 1991). Considerable practical relevance is added through the fact that insight into lifestyle activities of consumers with specific brand preferences and benefit orientation support managerial decisions on selecting, combining and designing media.

2. 2. 3 Country of origin

Building strong brands has become a marketing top priority for many organizations today because it yields a number of advantages and strong brands help firms establish an identity in the market place. In the buying process, consumers are not only concerned about the quality and price of a product but they also concern other factors such as the brand's country-of-origin. Many consumers use country-of-origin stereotypes to determine products for example, "Japanese electronics are reliable", "German cars are excellent",

Many consumers believe that a “ Made in . . .” label means a product is “ superior” or “ inferior” depending on their perception of the country.

Countries with a favorable image generally find that their brands are readily accepted than those from countries with less favorable image.

Country of origin effect refers to how consumers perceive products made in a particular country. In developing a corporate imagery for a product, the importance of various marketing mix variable such as product appearance, brand image and name are firmly established, as well as that of the imagery elicited by a product’s country of origin. Nagashima (1970) defined imagery of the country of origin as the picture, reputation, stereotype that businessmen and consumers attach to product of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions.

Roth and Romeo (1992) defined country image as the overall perception consumers forms of products from a particular country, based on their prior perception of the country’s production , strengths and weaknesses. Research has identified ways with which country of origin is credited to impact consumers’ evaluation of product, for example consumers’ cognitive processes may include self-perception, expressed as a desire to match self and product image (Sirgy et al., 1991). The country of origin may directly affecting consumers’ attitude towards the brand of a country instead of through product attribute ratings (Wright, 1975).

In globalized competition, many multinational companies have moved or outsourced their production to low-cost locations or countries. Although

developing countries can assist corporations in enhancing cost advantages but corporations also face the risk of potential loss due to negative country of origin effect (Cho and Kang, 2001; Trent and Monczka, 2005). It has been evident that where a product is made can have an impact on consumer product evaluation and purchase decision (Bilkey and Nes, 1982; Gaedeke, 1973; Han and Terpstra, 1988; Okechuku, 1994). Consumers' sensitivity level to country of origin has become an important issue for marketers, many researchers focused their attention on the relative importance of country of origin information and other product cues such as price and store name.

Several explanations have been proposed to interpret how consumer react to country of origin information. " Halo effect" and " Summary effect" are two of the most common ones. Halo effect model serve as a cognitive cue for consumers to infer their beliefs regarding other attributes of a product and thus overall product evaluation (Erikson et al., 1984). Summary effect model in the other hand suggested that consumers recode and abstract their knowledge about a country's products into their image of the country's image serves as hint to infer quality of product from that country. Among many determinants of a country image, stage of economic development of a country has been the most common cited one and customers typically hold unfavourable feeling and have lower quality perceptions toward product made in less developed countries (Cordell, 1993; Kaynak and Cavusgil, 1983).

Automobile manufacturers are rapidly competing to persuade consumers to purchase their brands. A knowledge of the different evaluation criterion for <https://assignbuster.com/the-purchase-decision-of-automobiles-in-malaysia/>

selecting cars further improves the firm's capability to influence a purchase.

M. Sadiq Sohail (2004) carried out a study on Malaysian consumers' perception towards product originated from Germany. The study reveal that Malaysian consumers take note of product originating from Germany and they are able to critically assess products from different dimensions.

Malaysian consumers evaluate product dimensions differently based on the country of origin and also have different preferences for product based on country of origin (Sohail 2004a; Sohail 2004b). On the choice of products made from Germany, Malaysian consumers have shown a high preference for automobile.

Srikatanyoo and Gnoth (2002) defined that consumer are generally known to develop stereotypical beliefs about products from particular countries and the attributes of those products. Therefore the country of origin image has power to arouse importers' and consumers' belief about product attributes, and to influence evaluation of product and brands. Since consumers' perception of a particular country of origin influence their evaluation of products from that country, this will influence their purchase intention, preference and choice of a particular brand name.

2. 2. 4 Environmentally friendly

Environmentally friendly product or green products are designed to minimize the environmental impact when they are being used or consumed. Green products are interesting to firms because green issues and social responsibility are becoming important to consumers. Brown and Dacin (1997) found that a companys' efforts toward social responsibility, including

environmental sustainability, will lead consumers to give their product better evaluation than product from less responsible organizations.

The automobile industry has made remarkable positive contributions to the world economy and people's mobility throughout the globe, but its products and processes are a significant source of environmental impact. There is still a lack of literature investigating high involvement purchases of green products. (Goldstein et al., 2008; Hage et al., 2009; Thøgersen, 1996). Better understanding of green consumer is important for business and environmental reason. According to some researchers, Western societies and Asian societies differ in their perception of environmental values. People in the West tend to associate environmental values with altruism, whereas environmental concerns are typically correlated with traditional values by their Asian counterparts.

Researchers have made few contributions pertaining the importance of environmental attitudes and behavior, but these related studies have been limited to behavior or to products that typically garner lower consumer involvement. The green consumption behavior has to be done across product categories that are more expensive which is car and this able to reflect more on the consumers' image, have higher social risk or require more research prior to purchase. The intention to purchase hybrid cars have increase and that become a variable that related to intention to purchase a high involvement environmentally product. The reason hybrid cars demand increased was due to the rising gas prices and advocacy for global sustainability have increased the emphasis on environmentally vehicles (Hybrid Cars. com, 2008).

The automobile industry cause serious impact on environment and the use of vehicle consumer a significant of fossil fuel, and therefore is an important source of pollution. During car production, the main negative environmental impacts result from so