

## **KEY FACTORS INFLUENCING PURCHASE INTENTIONS TOWARDS AUTOMOBILES IN PAKISTAN**

**SYED NAVEED ALTAF<sup>1</sup>**

College of Business, University Utara, Malaysia

**NOOR AZMI HASHIM**

Senior Lecturer, University Utara, Malaysia

### **ABSTRACT**

In this paper the authors identify and investigate the key factors which influence intentions to purchase passenger cars among consumers in Pakistan. A questionnaire was developed to check the significance of these key variables identified from previous studies, especially those conducted in the context of automobile purchasing in Asian countries. Faculty members from universities of two major cities in Pakistan were selected at random as respondents for this study. The findings of the study will be useful to both managers in the auto industry as well as policy makers. It will help managers in the auto industry to gain a better understanding of consumer intentions and identify the factors which influence them. Policy makers in Pakistan's auto sector would benefit from the insights of this study when developing the long overdue Auto Policy. Analysis of the data collected has revealed that the three key factors identified from studies in other Asian

countries are also relevant for Pakistani auto consumers.

**Keywords:** Auto Industry, Consumers' Intention

### **INTRODUCTION**

#### **Worldwide Automobile Sector**

A phenomenal growth has been observed in the number of passenger cars on the worlds' roads in recent decades. According to Prieto and Caemmerer (2013) automobiles industries are one of the most important contributors to GDP in many developed countries. Sousanis, 2011 states that total number of motor vehicles in the world crossed the billion mark in 2010. It is interesting to note that in 1986 the total number of motor vehicles was only half that number. It is expected that the growth trajectory will continue and number of vehicles globally will reach about 2.5 billion units by 2050 (Leahy, 2011). The International Organization of Motor Vehicle

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<sup>1</sup> Corresponding author

(IOCA) estimates that there are 170 motor vehicles for every 1000 people in the world today (IOCA, 2012a). The largest fleet of cars is found in the U.S with 240 million units. China follows the U.S on the list with approximately 78 million cars. India is another notable market on the list with 21 million cars. According to Voelcker (2012), America also has the highest vehicles per capita rate (769 vehicles per 1000 individuals).

On the production side of the equation, the global total for production of passenger and commercial vehicles reached 84.2 million units in 2012. Not surprisingly, China leads the list of top motor vehicles manufacturers where 19.2 million new units were produced. China is followed by Japan with 9.9 million and Germany with 5.6 million productions (IOCA, 2012c). Further, the global auto industry employs around 50 million people in various capacities which is indicative of the sector's importance to the global economy.

TABLE 1  
Global Motor Vehicle Registrations (in thousands)

Vehicle Type	1960	2010
Registered passenger cars	98,305	707,764
Registered commercial vehicles	28,583	307,497
	126,888	1,015,261

Davis, Diegel, and Boundy (2012).

### Asian Automobile Sector

IOCA (2012a) reports a rapid increase in motorization levels in the Asian region. IOCA data includes Australia in

addition to South Asia, Far East Asia, Middle East and Central Asia. As of 2012, there were 268 million passenger car users in this region, which is a 58% increase since 2005. The organization further reports that China has 87 million car users, Japan has 59 million, India has 16 million, South Korea has 14 million, Australia has 13 million, and Malaysia, Iran and Indonesia each have around 10 million passenger car users. With China, Japan, South Korea and India, Asia has four of the ten largest automobile producers in the world. The list of 40 major auto manufacturers also includes Turkey, Iran, Malaysia and Thailand (IOCA, 2012b).

## LITERATURE REVIEW

### Literature Review of Automobile Purchase Studies Globally

Several studies have been conducted in recent years in both developed and developing countries to explore and investigate purchase behaviors and intentions of automobile consumers. A brief summary of findings from these studies is given in this section. Nayeem and Casidy (2013) have linked the time spent to reach a final purchase decision, favorable feedback from family members, and the time spent at a car dealership to consumers' purchase intentions in Australia. Jiménez and Martín (2014) have demonstrated that Country of Origin effect and brand reputation impacts purchase intention more among emerging country consumers (Mexico) than among an emergent country's consumers (Spain). Hamin, Baumann, & Tung (2014) have confirmed that the effects of ethnocentrism can be mitigated by competitive pricing and

provision of additional features and extended warranties. Fetscherin, Boulanger, Filho & Souki (2014) found that Brazilian consumers consider brand love and loyalty as important influences on their auto purchase intentions. Narteh, Odoom, Braimah, and Buame (2012) have found that in Arica, brand awareness, specification of a car, emotional connection, accessibility and external influences all contribute strongly to choice of cars. Fetscherin and Toncar (2010) assert that U.S consumers consider Country of Origin, Country of Manufacture, and Perceived Brand Personality during car buying decision process. A comparative study (between America and South Korea markets) indicated that Propensity to Seek Information and Self-Image Congruence among hybrid car buyers is strongly associated with their purchase, however only South Korean consumers negatively associate Perceived Social Value with auto Purchase Intentions. Prieto and Caemmerer (2013)'s study indicates that car buying behavior among French residents is influenced by individual, household, and economic characteristics.

## **Literature Review of Automobile**

### **Purchase Studies in Asian Countries**

Like the rest of the world, studies published in the Asian region with respect to consumers' purchase intentions have produced varied results. For instance, in an Indonesian study, Darsono and Susana (2014) confirm that Purchase Intentions is impacted by all three predictor variables (Attitude, Subjective Norms, and PBC) of the Theory of Planned Behavior (Ajzen, 1991) albeit to varying degrees. The same study also identifies cultural influences to be

significant predictors of Purchase Intentions. Results similar to these have been reported from China. In the specific context of cars with small engines, Qu, Liu, Zhu, and Liu (2014), TPB predictors have been found to influence Intentions, however a significant moderating role of Support from Government is also observed. A research from Iran suggests that e-Word of Mouth is the main factor influencing brand image and car purchase intention (Jalilvand & Samiei, 2012). A three country comparative analysis (Taiwan, China, and Thailand) by Ou (2007) indicated that factors such as cultural characteristics, COO effect, demographics, and pre-purchase recommendations have influence on decisions to purchase. Another study (El-Omari, 1991) found that influence from personal sources, and comparisons with other peoples' cars were important determinants of purchase decision among Jordanian customers. According to Seidenfuss, Kathawala, and Dinnie (2010) car consumers in the Asian Pacific region are affected by Country of Components and Country of Assembly as these variables are seen to affect perception about quality and image, although result differed between luxury and non-luxury categories of automobiles. Similarly, Hashim (2012) found intrinsic and extrinsic products cues were related to PI of Malaysian auto consumers. A recent exploratory study from India introduced an ethno-consumerist framework to examine the effect ethnocentrism has on purchase intentions (Venkatesh, Khanwalkar, Lawrence & Chen, 2013).

## Consumer's Car Purchase Intentions

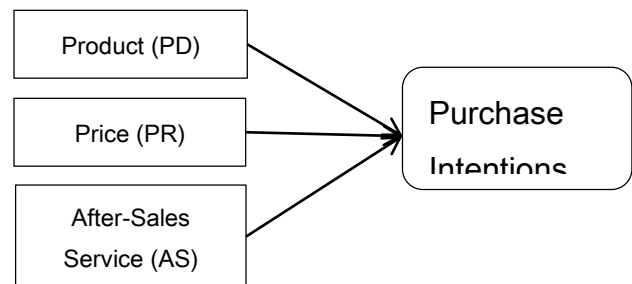
According to Kotler and Armstrong (2012), contemporary marketing theory revolves around the needs and wants of consumers. It is therefore imperative for researchers to understand consumer Purchase Intentions. Purchase intention is the measure of the possibility that a consumer would purchase a good or service (Schiffman & Wisenblit, 2014). Higher levels of PI towards a product is indicative of higher consumer's willingness to buy it (Schiffman & Wisenblit, 2014; Dodds, et al., 1991). Numerous researches have been conducted on purchase intention and its many antecedents over the years but according Hong-Youl Ha et. al. (2014) and Ajzen (2014) there is still room for identifying and/or empirically testing more antecedents of PI. Additionally, how these interact and influence each another is also an area of interest for many researchers of consumer behavior.

Previous researches on purchase intentions towards automobiles have produced inconsistencies and/or dissimilar findings. Part of the reason for this may be the complex nature and the product itself as well as the myriad differences in how consumers view and approach their car purchase decisions in different regions of the world. However, the findings variant findings in the field has led researchers like Prieto and Caemmerer (2013) and Darsono and Susana (2014) to underscored the need for further investigating and understanding consumers' purchase intentions towards this high-involvement consumer product.

From our review of the available literature, we have found many factors/drivers of automobile Purchase Intentions and Purchase Behavior, which vary from market to market. Some of these factors are: Product intrinsic and extrinsic characteristics, Value added features (such as spare part availability, warranty, and technical support), Price, Word of Mouth communication, Social and media Influences, and relationship with dealers etc. However, three predictors of auto purchase intentions stand out as the most significant, i.e. Product, Price, and After Sales Services. We are therefore inclined to integrate these variables in to a single proposed research framework.

## PROPOSED RESEARCH FRAMEWORK

FIGURE 1  
Proposed Research Framework



## METHODOLOGY

Survey research has been conducted for the collection of data, specifically through questionnaires. A correlational study has been conducted to investigate the impact of Product, Price and After Sale Service variables on Purchase Intentions towards car buying in a Pakistani context.

The items to measure PI have been adapted from Tho et al. (2008) and Al-Ekam (2013). This scale has 6 items. Scales for After Sales Services, and Price, are adapted from Yoo, et al. (2000), Ahmad and Butt (2012), and Al-Dmour et.al. (2013). The scale for Price has 7 while the scale for After Sales Service has 6 items. Scale for ‘Product’ is adapted from Raoof (1997). This adopted scale has 12 items. All these are 5-point Likert scales ranging from Strongly Disagree to Strongly Agree.

The respondents were faculty members of universities located in two of Pakistan’s major cities: Islamabad and Lahore. 200 completely and correctly filled questionnaires were received from the respondents. The response rate of the study was 70%, which is considered “very good” (Babble, 2007). The data was coded and fed into SPSS to run hierarchal regression in order to ascertain the impact of each variable. The equation on the basis of the proposed framework is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

- Y refers to Automobile Purchase Intentions
- X1 refers to Product
- X2 refers to Price
- X3 refers to After Sales Service

TABLE 2  
Regression Results

Model	R	R square	Adjusted R square	Std.E rror	Durbin-Watson
1	0.932a	0.869	0.833	0.406	1.965

The values of regression and correlation have been calculated to check the

relationship between dependent and independent variables. The results show a strong relationship between the variables and the value of Durbin-Watson (1.966) shows that the possibility of autocorrelation is minimum.

TABLE 3  
ANOVA

Model	Sum of Squares	F	Sig.
1 Regression	68.362	25.916	.000a

The ANOVA table indicates the value of F as 25.916. A value of F greater than 5 indicates a good overall model fitness (Babble, 2007). Similarly, the significance value of 0.00 indicates that the model is over all a good fit.

TABLE 4  
Coefficients

Model	Un-standardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.288	.973		.297	.768
Product	.367	.041	.009	2.161	.012
Price	.347	.027	.013	3.244	.028
After Sales Service	.289	.027	.018	3.327	.025

Dependent Variable: Automobile Purchase Intention

All three independent variables used in the questionnaires were regressed at 10% level of significance and all the variables have shown significant impact on the dependent variable. Hence, all three hypotheses are empirically tested and accepted.

## **MANAGERIAL AND POLICY IMPLICATIONS**

Understanding consumer purchase intentions is important for researchers and practitioners alike because it serves as a proxy to actual consumption (Schiffman & Wisenblit, 2014, Mullan et al., 2013). Practitioners need to have strong insights into what clicks with target consumers and why they prefer to buy one product or brand over a competing product or brand. Practitioners in Pakistan's automobile sector may find this study useful by providing or enhancing these insights. By understanding consumer's purchase intentions, auto sector managers can customize their marketing strategies for existing as well as new products. Narteh et al., (2012) has pointed to the unequivocal evidence in literature that researching the factors that influence and underpin customer needs and wants are of foremost importance when devising and forming effective marketing strategies. Better understanding of the effect of Product, Price, and After Sales Services on consumers of automobiles would therefore increase the effectiveness of marketing and brand strategies. The findings of the study if taken seriously would enable Pakistan's local car industry to compete more effectively with foreign, imported cars.

In addition, transportation and mobility being fundamental human needs are of immense significance to governments. Rising motorization demand rates, particularly in the economically emerging countries, the size of auto industry, the sector's contribution to GDP in car manufacturing/assembling nations, and social and environmental issues that

inevitably arise due to growth of this sector makes this study of greater interest to policy makers.

### **Future Research**

Our Literature review identified a plethora of factors that influence purchase intentions towards automobiles, but we limited our study only to three of the most significant factors (Product, Price, and After Sale Service) from prior studies. The other variables such as Word of Mouth communication, Social Influences and Status, Culture, Economic, Individual, and Household characteristics and Relationship with Dealers may be integrated into the research framework in the future. The mediating role of Attitude, Subjective Norms and Perceived Behavioral Control from Ajzen (1991)'s Theory of Planned Behavior may also be integrated into the framework. Some previous authors have identified Ethnocentrism, Country of Origin, Previous Experience and Governmental Support as significantly moderating the relationship between Intention to Purchase cars and its antecedents. These may also be further investigated in future studies. Additionally, the scope of this study was limited to Pakistan's unique automobile sector. Future researchers can replicate and expand the study's framework in different market contexts and may also conduct longitudinal studies to include actual behavior in addition to consumers' Purchase Intentions towards car buying.

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\* The corresponding author can be contacted at [naveed.altaf@iiu.edu.pk](mailto:naveed.altaf@iiu.edu.pk)