

## FACTORS EFFECTING CONSUMER BRAND PREFERENCES IN AUTOMOBILE INDUSTRY

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### ABSTRACT

**Purpose:** The purpose of the study was to examine whether or not brand participation, brand advocacy, brand involvement, quality of brand and price of brand effect the brand preference of consumers in automobile industry.

**Methodology:** The already developed questionnaire was adapted. The total of 120 valid questionnaires were collected and entered in SPSS (16.0) and data analysis was conducted by using regression analysis. Data was collected from residents of Lahore.

**Findings:** The findings shows that there was significant impact of brand participation, advocacy, involvement, quality and price on consumer brand preference.

**Limitations:** The limitation is that the other effects of brand preference like brand image, brand promotion and brand loyalty is ignored, furthermore the sample size was also small.

**Keywords:** Consumer Brand Preference, Brand Participation, Brand Advocacy, Brand Involvement, Brand Price and Quality of Brand

### INTRODUCTION

In Pakistan automotive industry was growing and dynamic participate in GDP growth rate and provide employment opportunities to people but the auto industry of Pakistan was not much noticeable and recognized in top auto industries all over the world (Ministry of Finance). According to Pakistan Automotive Manufacturer Association, in Pakistan mostly vehicles driven by using CNG (Compressed Natural Gas) because it was less expensive as compared with petrol prices. Pakistan is at second number among the countries where CNG is mostly used as fuel in cars. According to federal motor vehicle safety standards, in Pakistan most of the cars were not up to the standard of safety and quality which is followed by worldwide. Pak Suzuki, Indus Motors, and Honda Atlas motor were major assemblers that work in Pakistan. In Pakistan automotive industry divided into six categories such as cars & light commercial vehicle, two and three wheeler, tractors, trucks, buses and accessories and spare parts of manufactures and distributor industries. According to Pakistan bureau of statistics, 3200 units worked; 1.8 million people employed and produced 1.8 million motor bikes and 2 lac cars in 2011. This sector

contributed in national income as 20 billion which is approximately 3% of Pakistan total GDP in 2011. Last two to three years imports of imported cars raised due to fulfill the luxuries items wants and 25000 vehicles imported in semiannually basis. In Pakistan, Pak Suzuki motors only a manufacturer who produced the small cars and no major competition except the Daihatsu Cuore which is manufactured by Indus motor. According to state bank of Pakistan, in last 10 years commercial banks started a lease program for middle class and upper middle class people to buy the car on lease and pay the installment monthly basis so automotive industry were producing the vehicles with maximum capacity to fulfill the demand of people (Federal Board of Revenue). The objective of the study was to investigate the relationship and impact of independent variables on consumer brand preference through analysis of correlation, regression, and data was collected from related field participants. The finding and result of the study showed that the weaknesses of the industry, shortfall of the production targets, deletion process of the industry and product accessories or parts, and where we overcome these weaknesses, provide the facilities to new investors, low tariff, and relay on local production rather than imported cars, to increase the import duties and generate the competitive environment.

#### **LITERATURE REVIEW**

A brand shows the meaning and direction of any product and identify product with due to time and space. Brand may have several components including brand name, brand image, logo, design, packaging and promotion. Brands of automobile imported in Pakistan are prioritized for its quality, price, comfort level, fuel efficiency, design, colors, interior and exterior looks. Brand choice or brand behavior are the word which are used interchangeably for brand preference which means that to identify the consumer choice among different brands. Consumer brand preference is linked with brand loyalty, which means repurchase again and again by long period of time (Ghose & Lowengart, 2013). Brand involvement is the level of interest by consumer to purchase a specific brand and loyal with this brand. Most of the consumers involve those products which have high cost and massive impact on consumer life (Rijnsoever, Farla, & Dijst, 2009). Brand advocacy is that to recommend the favorite brand to other without any cost and this advocacy is only do who are fully contented with specific product brand (Katz, 1994). Brand participation is that, consumers intensely participate, gives opinion to company about product (Casaló, Flavián, & Guinalú, 2010). Quality of the product has usually high price due to his popularity of product design, functions and technology use to build that product. Quality of the product impact on company EPS, shareholder wealth and attract to new investor toward investment. Price of the product is that to charge a value against selling of product which is based on product quality and its performance (Loureiro, Sardinha, & Reijnders, 2012).

#### ***Consumer Brand Preference***

A brand loyalty shows that a consumer chooses a brand among competing brands and not accept any other as substitute (Kotler & Keller, 2003). Customers prefer the car brands according to their income level. Product image is the component which plays a dynamic role in the brand preference and that image based on consumer's awareness and related information about cars. The people belonging to middle class like to prefer price as leading element to select the vehicle

on the other hand the quality, performance or package of a product brand are mainly considered by elite class people. That's why the price is the element which is firstly compared among different brands of cars by the consumers. People mostly prefer to purchase cars which gave great quality with low price (Kwok, Uncles, & Huang, 2006). The five elements of making the decision about choosing the cars such as value or price, quality of the product, brand participation, brand advocacy and brand involvement.

### ***Brand Participation***

The participation of the consumer in branded products has achieved the company destination. The brand preference increased when consumer participated in product promotion. The brand preference increased due to participation by consumer in brand or company activities (Bagozzi & Dholakia, 2006). Some consumers don't attached with any product brand and don't participate in brand promotion activities (Blanchard & Markus, 2004).

### ***Brand Advocacy***

Brand advocacy is identification, supports and promotion of the brand to other people, user or consumers who are the user of same or other brands" (Bhattacharya & Sen, 2003). Promotion of the brand product to the other users shows the brand advocacy and brand loyalty. Brand advocacy shows the consumer perception, thinking, interest and uses of the product only which delivered to other people to advocate this brand which is used his own and differentiate from other brands (Dutton & Dukerich, 1991; Scott & Lane, 2000).

### ***Brand Involvement***

Brand involvement shows the how much customer has information, interest and concern about branded cars to choose in specific income level. Brand involvement was the only main and primary criteria to explain the consumer behavior about your product and its feelings (Chakravarti & Janiszewski, 2003). Brand involvement shows the relationship with consumer satisfaction that how much he was satisfied by the performance of brand (McColl-Kennedy & Fetter Jr, 2001; Mudie, Cottam, & Raeside, 2003). The use of the brand shows the experience and past knowledge of the consumer (Zaichkowsky, 1987). In earlier researches many researchers concisely described three elements of the brand involvement as personal, physically and situational. Printed media, radio and television are different sources to deliver the message or advertising the brand which have changed the preference of the consumer and its involvement towards the brand (Wright, 1973)

### ***Price of Brand***

The consumer expected at the time of take purchase decision from the selection of car model to meet their quality, brand images, performance, charge appropriate cost, sales & after sales quality criteria at least (Aghdaie & Yousefi, 2011). Mostly consumer prefer only product price. The price of the product has impact on consumer purchasing decision process & also the sales margin (Osman, Talib, Sanusi, Shiang-Yen, & Alwi, 2012). The price of the product is that which is expected to pay by purchasing of product. There are two types of price of product that prevail in the market. The brand image is the key element of the product when some products have high price in the market. Some products have low brand price which is useful technique by brand & consumer rely on the previous price value for the brand (Swani & Yoo, 2010). Different

prices level of different products have impact on consumer behavior connection because the brand price make the brand image in the eyes of consumer.

### ***Quality of Brand***

The product quality only checked by compare it with other competitive brand product. At the time of pre-purchasing the consumer checked the product & compare it with another same product & make decision on the base of the results which product is better or not. The product quality has great impact on consumer behavior & their taste for selection the product with highly connection of product quality. The consumer behavior can change only on the basis of the analyzing the quality of the product & services that provide by the brand company (Taylor, Hunter, & Lindberg, 2007). We get the product quality information by external & internal resources. The external resources are directly transfer the message from company to consumer. The product quality play an important role between innovativeness & new product which is recently introduced (Chevalier & Mayzlin, 2006). Before using the product we can't judge the quality of product. The thinking about the product transferred to other are not correct information because at the time of launching the product in the market nobody can't accessed the quality of brand product and said anything.

### ***Theoretical Framework***

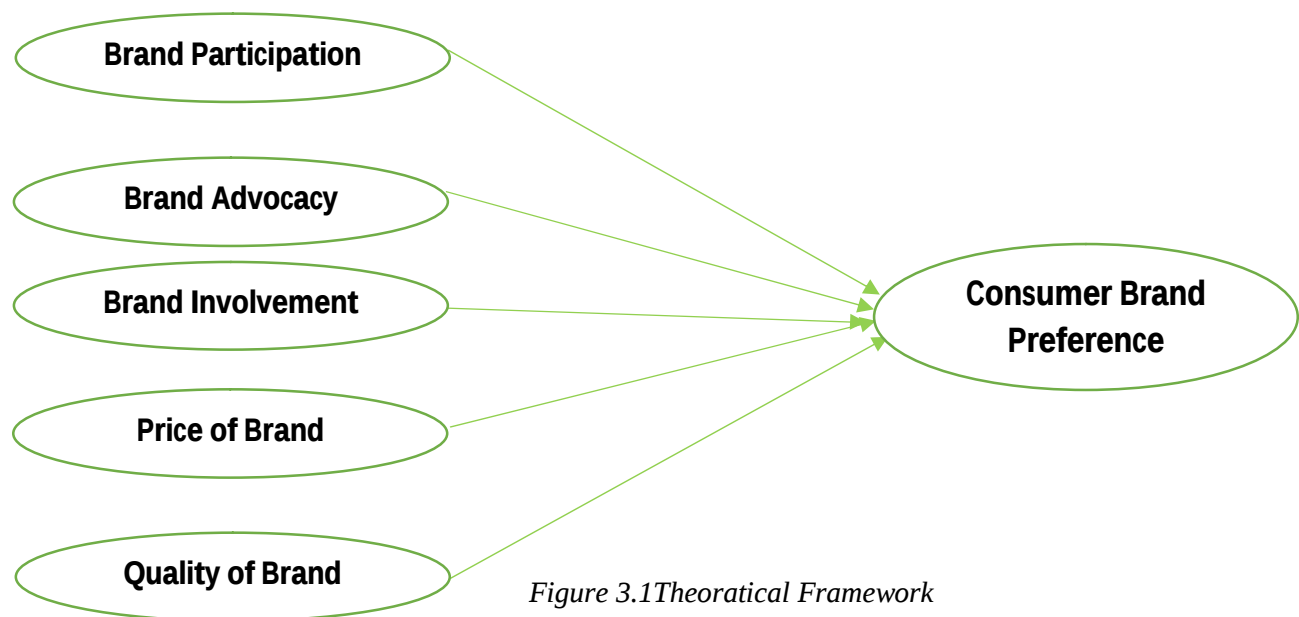


Figure 3.1 Theoretical Framework

### ***Hypotheses***

**H<sub>1</sub>:** Brand involvement has significant impact with consumer brand preference.

**H<sub>2</sub>:** Brand advocacy has significant impact with consumer brand preference.

**H<sub>3</sub>:** Brand participation has significant impact with consumer brand preference.

**H<sub>4</sub>:** Brand price has significant impact with consumer brand preference.

**H<sub>5</sub>:** Quality of brand has significant impact with consumer brand preference.

## METHODOLOGY

### *Population and Sample Size*

Among different cities of Pakistan, Lahore has been selected for the study of the factors effecting consumer brand preference. 120 consumers of cars were provided all information.

### *Sampling Technique*

Simple Random Sampling technique was used for collection of data.

### *Instrument Development*

A questionnaire was adopted from the base article having 22 items which were divided into 6 sections. First section contained 4 items, which we refer to later as BP1 through BP4, in determining the dependence of consumer brand preference on factors included in the study. Second section contained 3 items, which was referred later as BPA1 through BPA3, in determining the effect of Brand participation on the study. Third section contained 3 items labeled as BA1 to BA3, in determining the effect of brand advocacy. Fourth section contained 4 items of Brand involvement labeled as BI1 to BI5. Fifth section contained 3 items related to Price of brand, labeled as POB1 and POB3, in determining the effect of price of brand on consumer brand preference. Last section contained 3 items related to Quality of brand, labeled as QOB1 and QOB3, in determining the effect of brand quality on the study. Responses were judged by using 5 point Likert scale where 1=strongly disagree, 2= disagree, 3=Indifference, 4=Agree and 5=strongly agree. The overall reliability of the data was based on 120 responses reported as CRONBACH's ALPHA is "0.830" of 22 items.

## DATA ANALYSIS

In order to identify the factors effecting consumer brand preference of cars, the exploratory factor analysis has been employed. In order to examine the influence of factors affecting consumer's brand preference on brand advocacy, brand involvement, brand participation, quality and price regression analysis was used.

### *Descriptive Statistics*

In the ongoing study, mostly the respondents were from banking sectors, local communities, some relatives, and some government employees. The data was analyzed using the SPSS (16.0) Software. 108 out of total 120 respondents were male showing 90 % of the responses. Remaining 10% were female as 12 respondents.

The current study shows that consumers whose income level varies 75001 to 100000 were 54.2%, which means respondents are using or enhancing lease of cars. Most of the females are from the banking sector. Most of the car buying are on the installments basis from the banks on finance lease.

**Table 1: Socio Economic Status of the Consumer**

| <b>Particulars</b>  | <b>Frequency</b> | <b>Percentage</b> |
|---------------------|------------------|-------------------|
| <b>Gender</b>       |                  |                   |
| Male                | 108              | 90%               |
| Female              | 12               | 10%               |
| <b>Income level</b> |                  |                   |
| 50000-75000         | 12               | 10.0              |
| 75001-100000        | 65               | 54.2              |
| 100001-125000       | 33               | 27.5              |
| 125001-150000       | 9                | 7.5               |
| 150000 or above     | 1                | 0.8               |

**Table 2: Consumer's Brand Preference**

| <b>Brand name</b> | <b>Frequency</b> | <b>Percentage</b> |
|-------------------|------------------|-------------------|
| Suzuki            | 52               | 43.3              |
| Daihatsu          | 35               | 29.2              |
| Toyota            | 18               | 15.0              |
| Honda             | 9                | 7.5               |
| Hyundai           | 1                | 0.8               |
| Others            | 5                | 4.2               |

**Table 3: Reliability Analysis**

| <b>Variables</b>    | <b>No. of Items</b> | <b>Cronbach's Alpha</b> |
|---------------------|---------------------|-------------------------|
| Overall Reliability | 22                  | .830                    |
| Brand Preference    | 4                   | .787                    |
| Brand Participation | 3                   | .362                    |
| Brand Advocacy      | 3                   | .336                    |
| Brand Involvement   | 6                   | .616                    |
| Price of Brand      | 3                   | .430                    |
| Quality of Brand    | 3                   | .531                    |

### *Inferential Statistics*

**Table 4: Correlation Matrix**

|                     | 1      | 2      | 3      | 4      | 5      | 6 |
|---------------------|--------|--------|--------|--------|--------|---|
| Brand preference    | 1      |        |        |        |        |   |
| Brand Participation | .383** | 1      |        |        |        |   |
| Brand Advocacy      | .564** | .423** | 1      |        |        |   |
| Brand Involvement   | .508** | .392** | .538** | 1      |        |   |
| Price of Brand      | .283** | .021   | .063   | .342** | 1      |   |
| Quality of Brand    | .401** | .229*  | .340** | .336** | .380** | 1 |

\*\*Significant at 0.01

\*Significant at 0.05

- Brand Participation and Brand preference has highly significant positive relationship.
- Brand Advocacy has highly significant positive relationships with Brand preference.
- Brand Advocacy has highly significant positive relationships with Brand Participation.
- Brand Involvement has highly significant relationships with Brand preference.
- Brand Involvement has highly significant relationships with Brand Participation.
- Brand Involvement has highly significant relationships with Brand Advocacy.
- Price of Brand has highly significant positive relationships with Brand preference.
- Price of Brand has insignificant relationships with Brand Participation.
- Price of Brand has insignificant relationships with Brand Advocacy.
- Price of Brand has highly significant positive relationships with Brand Involvement.
- Quality of Brand has highly significant positive relationships with Brand preference.
- Quality of Brand has significant positive relationships with Brand Participation.
- Quality of Brand has highly significant positive relationships with Brand Advocacy.
- Quality of Brand has insignificant positive relationships with Brand Involvement
- Quality of Brand has highly significant positive relationships with Price of Brand.

### **Regression**

Linear regression attempts to model the impact between two variables by fitting a linear equation to observed data. One variable is considered to be an explanatory variable, and the other is considered to be a dependent variable

**Table 5: Consumer Brand Preference Regress on Brand Participation**

| <b>Variable</b>     | <b>B</b> | <b>Adjusted R-Square</b> | <b>Sig</b> |
|---------------------|----------|--------------------------|------------|
| Brand Participation | .383     | .139                     | .000       |

Table 5 shows that the regression analysis between brand involvement and dependent variable of consumer brand preference. Adjusted R<sup>2</sup> is .139, meaning that 13.9% variance in consumer brand preference through brand involvement and signifies the regression coefficient i.e. Beta ( $\beta$ ) of brand involvement with consumer brand preference is .383 with the significant value.000 which shows a positive and significant relationship between brand participation and consumer brand preference.

**Table 6: Consumer Brand Preference Regress on Brand Advocacy**

| <b>Variable</b> | <b>B</b> | <b>Adjusted R-Square</b> | <b>Sig</b> |
|-----------------|----------|--------------------------|------------|
| Brand Advocacy  | .564     | .313                     | .000       |

Table 6 shows that the regression analysis between brand advocacy and dependent variable of consumer brand preference. Adjusted R<sup>2</sup> is .313, meaning that 31.3% variance in consumer brand preference through brand advocacy and signifies the regression coefficient i.e. Beta ( $\beta$ ) of brand advocacy with consumer brand preference is .564 with the significant value.000 which shows a positive and significant relationship between brand advocacy and consumer brand preference.

**Table 7: Consumer Brand Preference Regress on Brand Involvement**

| <b>Variable</b>   | <b>B</b> | <b>Adjusted R-Square</b> | <b>Sig</b> |
|-------------------|----------|--------------------------|------------|
| Brand Involvement | .508     | .251                     | .000       |

Table 7 shows that the regression analysis between brand involvement and dependent variable of consumer brand preference. Adjusted R<sup>2</sup> is .251, meaning that 25.1% variance in consumer brand preference through brand participation and signifies the regression coefficient i.e. Beta ( $\beta$ ) of brand participation with consumer brand preference is .508 with the significant value.000 which shows a positive and significant relationship between independent variable and dependent variable.

**Table 8: Consumer Brand Preference Regress on Price**

| <b>Variable</b>     | <b>B</b> | <b>Adjusted R-Square</b> | <b>Sig</b> |
|---------------------|----------|--------------------------|------------|
| Brand Participation | .283     | .072                     | .002       |

Table 8 shows that the regression analysis between price and dependent variable of consumer brand preference. Adjusted R<sup>2</sup> is .072, meaning that 7.2% variance in consumer brand preference through price and signifies the regression coefficient i.e. Beta ( $\beta$ ) of price with consumer brand preference is .283 with the significant value.002 which shows a positive and significant relationship between price and consumer brand preference.

**Table 9: Consumer Brand Preference Regress on Quality**

| <b>Variable</b>     | <b>B</b> | <b>Adjusted R-Square</b> | <b>Sig</b> |
|---------------------|----------|--------------------------|------------|
| Brand Participation | .401     | .154                     | .000       |

Table 9 shows that the regression analysis between quality and dependent variable of consumer brand preference. Adjusted R<sup>2</sup> is .154, meaning that 15.4% variance in consumer brand preference through quality and signifies the regression coefficient i.e. Beta ( $\beta$ ) of quality with consumer brand preference is .401 with the significant value.000 which shows a positive and significant relationship between quality and consumer brand preference.

### **FINDINGS**

Findings of the study represent that brand involvement, brand advocacy; brand participation, brand price and quality of brand have significant impact on the consumer brand preference. Brand involvement 25.1%, brand advocacy 31.3%, brand participation 13.9%, brand price 7.2% and quality of brand 15.4% impact on the consumer brand preference. It was concluded from the results that all independent variables have impact on the consumer brand preference but brand advocacy has the stronger impact as compared to other variables. On the other hand, brand price has the least impact as compared to other variables. Results shows that consumers are although take brand price into their consideration but they give value what they perceived from others such as friends, relatives, brand users advice and etc (Brand advocacy) followed by brand involvement, quality of brand, brand participation and at last price of the brand. So, the companies should try to follow the above pattern to build their image of brand and to achieve success.

### **LIMITATIONS**

Due to small size and cost constraints small sample was used in the study. The results of large sample size may differ from the smaller size. Due to small sample size the results of validity, reliability & generalizability are small. The other limitation of the study investigated only five outcome of variable: brand involvement, brand advocacy, brand participation, quality, and price. Similarly, other variables related to consumer preference can also be investigated. For instance, performance, advertisement package, display, and brand awareness are not studied. Survey questionnaire was used in the study to collect data from respondents. Any other method can be used to get more authentic information like direct interviews. Another limitation of the study was heterogeneity found in gender of respondents because the male respondents (83.9%) are more than female respondent (16.1%).

### FUTURE IMPLICATIONS

The current research study focused only consumer behavior, selecting criteria of consumer and discussed the factors that are relating to consumer preference while the other perspective of manufacturer ignored in the study furthermore it also consist of only five variables discussed by getting different past researches that explained the only consumer buying strategy or planning and other expects of variables excluded from this research work. Government policies, import policies and factors relating manufacturer of the automobile not explained in the study so in future studies there will be wide scopes to the study. With the help of the current study, factors affecting on consumer brand preference, consumers attained the knowledge about car buying criteria but in the study few factors were focused so in future other researcher will be focus on other variables of the automobile industry

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