Investigating the factors influencing the Purchasing Decision of Customer

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Abstract:

Theobjective of our research is to study the impact of the factors which affects the purchasing decision of the customers especially in automobiles.Survey using simple random sampling was done at Lahore to customers whose age is round about 18-65 years old. 200 respondents had filled the questionnaires at the sampling location out of which response rate was 92% and 85% of data were reliable. The strength of the relationship between the variables and their normality assumption was met in the correlation analysis.The conclusion derived from this researchwill provide a platform to automobile makers of Pakistan; so that they will understandthe consumerbehavior in Lahore and how it affects the purchasing decision of a customer.

Key Words: Consumer based factors, consumer purchasing behavior, price consciousness, Brand awareness,and purchase decision.

Introduction:

As the competition keep on growing in automobile markets and franchises in Pakistan, it is crucial for every automobile company to understand the customer's insight, to further amplify their share of wallet. Thus, they have to understand what factors might influence or might affect their customers' decision in purchasing an automobile.in case of durable goodscustomersare very

sensitive in their purchase decision. The aim to conduct this study is to assess the impact of factors effecting the purchasing decision of a customer in automobiles of Lahore, Pakistan. In Pakistan, PAMA regulate the automobile industry and four key players are in this industry i.e. Suzuki, Honda, Indus Motors andDeewanFarooq's Motors. This automobile industry has around 150,000 to 200,000 employees who work directly and indirectly; but they are involve in it. At start in Pakistan, when the computerized cars are imported from Japan like Toyota Vitzand Honda Accord etc; they have been imported without computerized equipment for their tuning, services and supported spare parts, this scenario badly affected the automobile industry of Pakistan because their I no improvement and quality management in Pakistan automobiles; so people prefer to bur foreign brands. Although they are expensive but they provide comfort. It was said that branded cars although very economical in price and attractive features, why not attract customers; but now the concept has been changed; people do prefer branded cars.

What is the most important thing for the automobile industry that should be considered to satisfy the customers need; should be the motto of every automobile industry! It is very essential to the automobile industry to find out the factors which engage in to play very important role to satisfy the needs of the customers; as comfort and luxury is always the preference of the customer.

Statement of the Problem:

Study tries to investigate the purchase decision of customers especially in automobiles.

Literature Review:

According to "John C. Mowen" there are three perspectives related to buying behavior of consumers. Firstly, is the problem solving activity which involves a numbers of stages. Secondly, in some situations the purpose was not to solve the problem but to create feelings or experiences(Mowen, 1988).The differences in purchasing behavior regarding cars among Chinese and American in North America is studied with the help of "wheel of consumer analysis", and proposed that Chinese consider price as major factor while color, quality and brand etc. are the factors which have significant effect on the buying pattern of Americans.(Johnson & Chang, 2002)

According to Whymen study on "auto and environment" consumers in European Union and U.S. prefer to purchase eco-friendly car that is clearly recognizable e.g. specific ecological design or model name. People also wish for tax incentives on purchases of ecologically friendly cars. Automobile manufacturers should follow some points for eco-management e.g. sharpen the brand's environmental positioning, evaluate options for environmental marketing, overcome purchase barriers, protect technological leads, family establish environmental protection as a priority in research and development and evaluate the opportunities of eco-models(Wyman, 2007)

Automobile industry in India is highly responsible for economic growth and GDP of the nation so there should be more research and development, innovations and up gradation of this industry. On the other hand, consumer preferences are most important in driving the automobile industry, which includes family needs, culture, social class, group references and opinion leader etc.(Bikash, Sreekumar, Nagar, & Chhend, 2010)

The "American Marketing Association" said that the consumer behavior is a dynamic interaction of the internal and psychological reactions, acts, and human beings conduct the exchange aspects of their lives through environmental events (Johnson & Chang) .According to "Peer and Olson (1999)"A series of mental and physical processes that continues through before and after purchase, is consumer behavior(Mirzaei & Ruzdar).As competition in automobile sector in Malaysia is increasing day by day so in order to better compete in the market to increase market share, organizations must develop better understanding of customer's choice and preferences. They must be aware of all such factors which have significant effect on purchasing decision of their customers. Perceived value, quality and risk are independent variables which affect the dependent variable i.e. "purchase decision". There also exist some other factors that influence the purchasing decision of customers such factors may include some special features in cars, marketing, sale promotions, location of car centers, service facilities, electronic and print media, informative meetings with car dealer(Yee, San, & Khoon, 2011).Factors that influence the buying behavior while making a purchase decision includes: culture, social class, reference groups and family(Dixit, Aditya, Kumar, & Vigyan).

Overall, various internal and external factors all are influencing the car purchasing behavior of customers. By analyzing the industry on various parameters with the help of implementing Fundamental tools we came to know that this industry has a lot of potential to grow in future. (Bose, 2010).High brand equity levels have influence upon consumer preferences and purchase intentions Cobb-Walgren(1995) as well as higher stock returns (Aaker and Jacobson, 1994). It also creates a chance for successful allowances, flexibility against competitors' promotional pressures, and hurdles to competitive entry (Farquhar 1989). Customer-based brand equity is evaluating the consumer's response to a brand name (Keller 1993, Shocker, 1994). According to Grey Goebe, generally the buying behavior of consumers is affected by three factors. (1) The economic factor which form the base of any purchase decision. People cannot buy what they cannot afford no matter how badly they want them. Hence this factor involves the affordability of consumer. (2) The functional factor shows the need. (3) The psychological factors are related to the customer wants. Whereas personal image is also very important factor. People wanted to buy things which become their identity or status symbol (Goebe, 2011).

A research was conducted in South-Western Ontario about the factors which affect the buying behavior of older driver and they highlight following factors.(1) price and fuel efficiency, (2) Visibility, adjustability, and accessibility, (3) Dealer-older buyer interactions (4) safety.

Whereas the Participants prioritized price in purchases of both secondhand and new vehicles(Zhan & Vrkljan). A research was conducted on the students of University Sains Malaysia in Penang. Three factors were highlighted by the students which influence their buying decision of motorcycle which are Price, location of shop and personal relation (Akbar & Bakar, 2011).

Purchase Decision:

Purchase decision is basically a process in which consumers after identifying their needs collect information about it then evaluate all the possible alternatives and finally make decision. Psychological and economic factors determine this process whereas social and environmental factors influence it(BussinessDictionary.com).

Family:

Family is an important factor which influences the buying behavior of the person. Family is a group or set of peoples who belongs to each other's. They are mostly well connected and interactive and decisions are made in a group or family unit. The feedback of the family members have an impact upon the decision and can be categorizes as social or cultural Factor.

Government Policies:

Government policies do have influence upon buying behavior. If the tax policies of Govt. are relaxing one, it will result in more disposable income. In the same way if importing policies are favorable, people will be encouraged to buy imported products (Adewakun, 2013).

Sale service factor:

A research was conducted to check the impact of service quality on consumer behavior. Close ended questionnaire was mailed to the managers of four selected companies which requested their customers to fill it. The results shows that service quality have a positive impact on consumer (Zeithaml,1996).
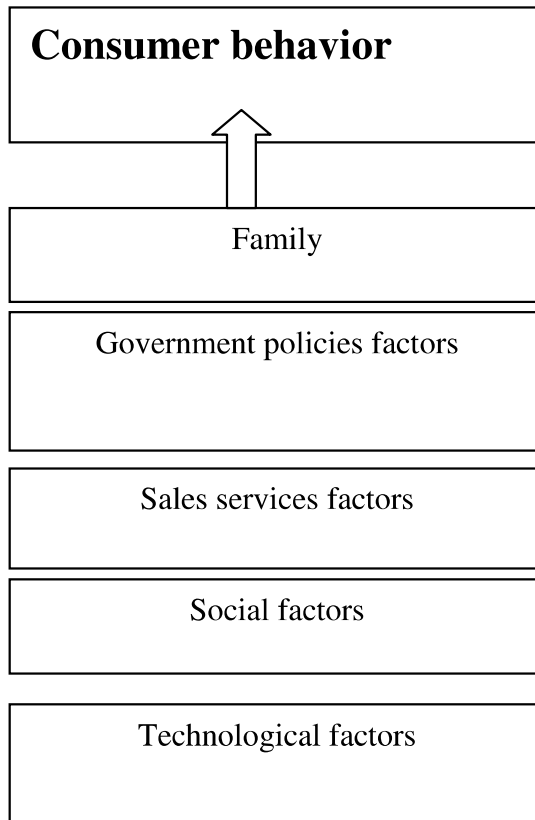
Social Factor:

Human beings are social animals. We influence and being influenced by the people around us. The social status of the person has impact upon his buying decisions. A person from upper class will spend his money on luxurious items while a person from middle or lower class would buy necessities of life (MSG).
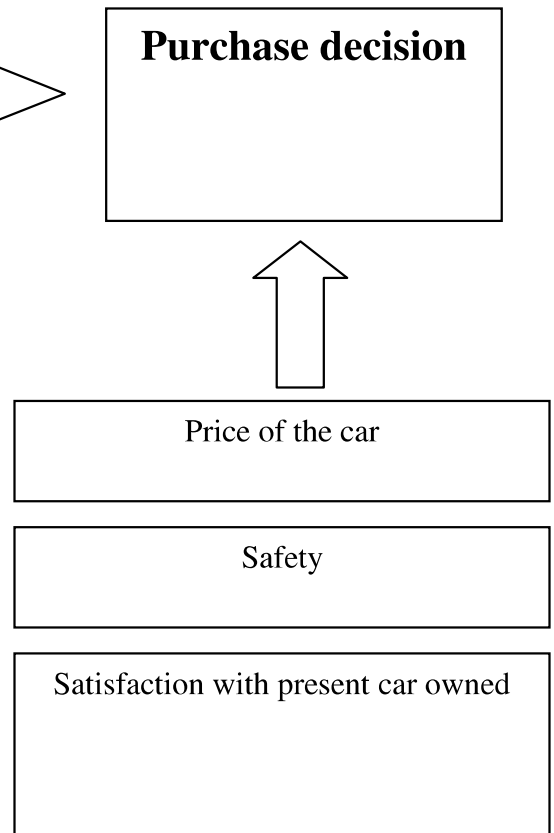
Technological Factors:

A study was conducted in UK according to which after price, customer is concerned about running cost, fuel consumption and Excise Duty. Technology factor involves power and mileage, safety and technological aspect of the machinery being used.

Theoretical Model:

Independent Variables   **Dependent Variables**

| Consumer behavior |

| Family |

| Government policies factors |

| Sales services factors |

| Social factors |

| Technological factors |

| Purchase decision |

| Price of the car |

| Safety |

| Satisfaction with present car owned |

Dependent Variable:

➢ Purchase decision

Independent Variable:

➢ *Family*
➢ *Government regulations factors.*
➢ *Sale service factors.*
➢ *Social factors*
➢ *Technological factors*

Objective of the Study:

Theobjectives of this research are to study the factors affecting Purchasing decision towards automobiles. More distinctively:

1. To explore the consumer behavior regarding purchasing decision.
2. To access the consumer's opinion of their cars regarding its features like mileage, price, looks etc.
3. To interpret the impact of technological factors of automobiles on choosing particular brand.
4. To conclude by showing the relationship between the social factors and purchase decision of the consumer.

Hypotheses of the study:

H_1: Family factor will have significant effecton consumer's intention to purchase car.

H_2: Government regulation factors will have significant effecton consumer's intent to purchase car.

H_3: Sales service factors willhave significant effecton consumer's intent to purchase car.

H_4: Technological factors willhave significant effecton consumer's intent to purchase car.

H_5: Social factors will have significant effecton consumer's intent to purchase car.

Research design:

The current study shows that, "**descriptive research**" was used and it investigates the purchasing behavior of consumers in automobile industry of Lahore (Pakistan).

Instrument:

For the collection of data questionnaire survey method was used.Data was collected by contacting with the respondents and explained or helped them with important details about the survey. Questionnaires filled from 200 respondents which were distributed due to the ease and simplicity out of which we received 170 valid responses. 23 questions were tested using 5-point Likertscale; with (1) representing 'strongly disagree' to (5) representing 'strongly agree' was used so that variability in the consequences can be reduced and reliability can be increased or enhanced.

Sample design:

Simple random sampling is used to obtain responses.probabilityis calculated by the selection of each element in the population.In this research the customers age between 18-65 was our target population. Itwas divided into four groups e.g. university students who own some kind of automobile, Punjab university hostel boys, businessmen and company employees specifically NESPAK that included males and females both. 20 sets of questionnaires were administered for pilot studyin order to make sure that no mistake or error has been incurred within the questionnaire.

Chronbach alpha's value was 0.792.

Table 1: chronbach's alpha

Cronbach's Alpha	N of Items
.792	30

Data analysis and findings
Descriptive statistics:
Table 2

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
female	74	43.5	43.5	43.5
male	96	56.5	56.5	100.0
Total	170	100.0	100.0	

Total number of respondents was 170 of which 96 respondents were MALE while 74 respondents were FEMALES.
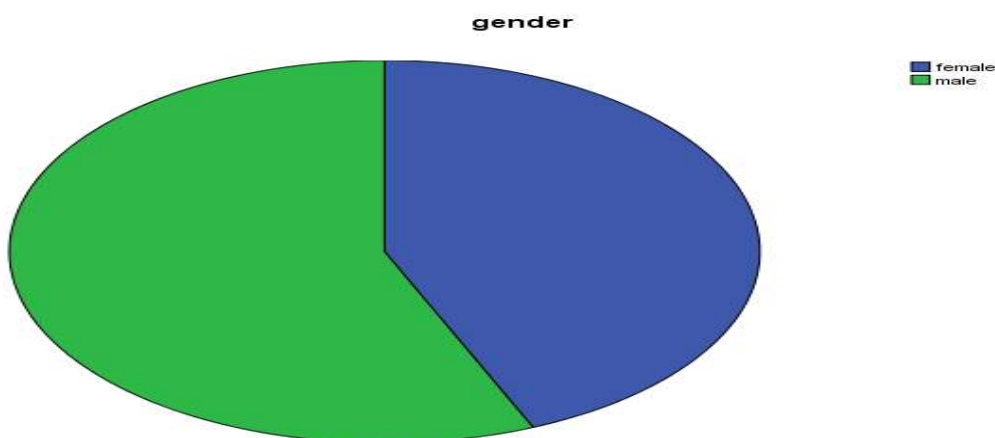

Figure 1: Gender

Table 3

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
	service	40	23.5	23.5	23.5
Valid	businessmen	11	6.5	6.5	30.0
	student	119	70.0	70.0	100.0
	Total	170	100.0	100.0	

Majority of the respondents were aged between 18-28 years old. 70% respondents were students, 6.5% businessmen and 23.5% were service holders.
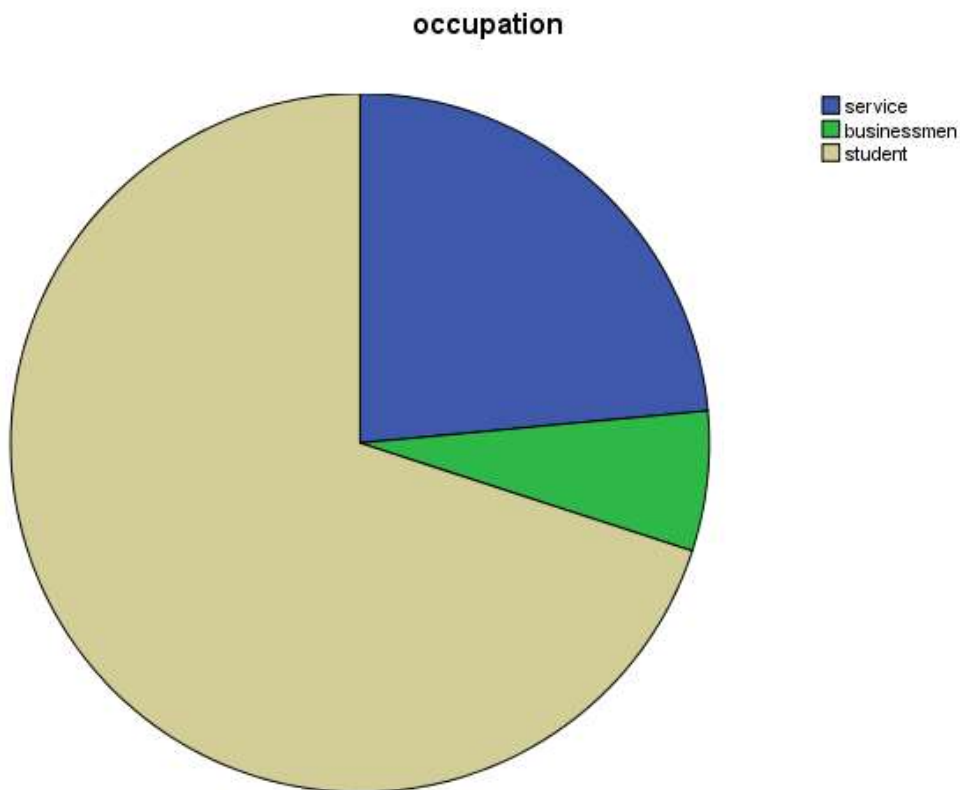

Figure 2: Occupation

Table 4

Cars owned

		Frequency	Percent	Valid Percent	Cumulative Percent
	1	163	95.9	95.9	95.9
Valid	2	6	3.5	3.5	99.4
	3	1	.6	.6	100.0
	Total	170	100.0	100.0	

Mostly respondents have 1 Car (95.9%), 3.2% have 2 Cars and 0.6% have 3 cars.
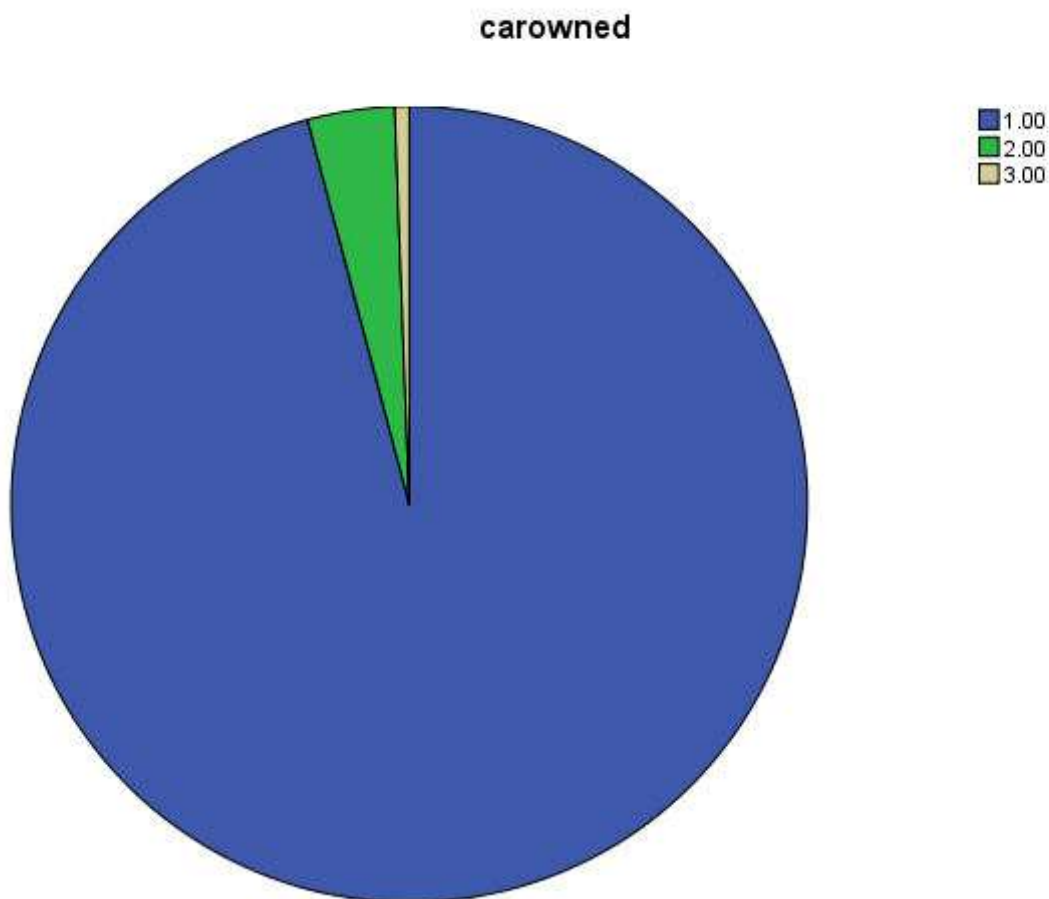
Figure 3: Cars owned

Inferential statistics:

Table 5

		Purchase decision	**Family**
Purchase decision	Pearson Correlation	1	.144
	Sig. (2-tailed)		.061
	N	170	170
Family	Pearson Correlation	.144	1
	Sig. (2-tailed)	.061	
	N	170	170

The summary result from the correlation analysis shows that H1 was accepted because the significant level of variables (family) was more than (P> 0.05) level which is 0.061. Thus, failed to reject Ho. That depicts family have no significant effect on buying behavior of people.

Table 6

		Purchase decision	**Government regulations**
Purchase decision	Pearson Correlation	1	-.024
	Sig. (2-tailed)		.754
	N	170	170
Government Regulations	Pearson Correlation	-.024	1
	Sig. (2-tailed)	.754	
	N	170	170

The summary result from the correlation analysis shows that H2 was supported since the significant level of variables (Govt. regulation) was more than (P> 0.05) level which is 0.754. Thus, H2 is accepted. Which shows that, government have significant impact on purchase behavior of automobiles.

Table 7

		Purchase decision	Social factor
Purchase decision	Pearson Correlation	1	.062
	Sig. (2-tailed)		.425
	N	170	170
Social factor	Pearson Correlation	.062	1
	Sig. (2-tailed)	.425	
	N	170	170

The summary result from the correlation analysis shows that H5 was accepted because the significant level of variables (Social factor) was more than (P> 0.05) level which is 0.425. Thus, H5 is accepted. That is social factors influence the purchasing decision of people towards automobiles.

Table 8

		Purchase decision	Sales services factor
Purchase decision	Pearson Correlation	1	.100
	Sig. (2-tailed)		.194
	N	170	170
Sales services factor	Pearson Correlation	.100	1
	Sig. (2-tailed)	.194	

		Purchase decision	Sales services factor
Purchase decision	Pearson Correlation	1	.100
	Sig. (2-tailed)		.194
	N	170	170
Sales services factor	Pearson Correlation	.100	1
	Sig. (2-tailed)	.194	
	N	170	170

The summary result from the correlation analysis shows that H3 was accepted because the significant level of variables (Sale service factor) was more then (P> 0.05) level which is 0.194. Thus, H3 is accepted. Thus good quality of services have much influence on the buying behavior of people towards automobile.

Table 9

		Purchase decision	Technological factor
Purchase decision	Pearson Correlation	1	.400**
	Sig. (2-tailed)		.000
	N	170	170
Technological factor	Pearson Correlation	.400**	1
	Sig. (2-tailed)	.000	

N	170	170

**. Correlation is significant at the 0.01 level (2-tailed).

The summary result from the correlation analysis shows that H4 was not supported since the significant level of variables (Technological Factor) was less then (P< 0.05) level which is 0.00. Thus, H4 is rejected. That means there is no significant effect of technology on automobile buying behavior.

The questionnaire also involves a category question that what is the first feature you observe while buying a car? According to which Performance was the most frequent response (32.4%), followed by Price (27.6%), Comfort (14.7), Looks (13.5%) and finally Safety (11.2%).

Limitation:
 (1) Due to limited resources and time, this study only covers the area of lahore.
 (2) It does not cover all the factors which actually influence the buying behavior.
 (3) The preference of consumers related to local or imported brands is not being considered in this study.
 (4) Mostly the respondents were from the age group 18-28 years, therefore the research results might not be generalizable to all age groups.

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