What Affects the Buying Decision of a Car in Thailand

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Abstract: **Understanding customers want and preferences are the key success factors for the auto manufacturers. It is crucial to identify the factors that customers prefer the best and are the most influential on their decision making process. With this information automotive industry can offer promotions according to consumers' interest, which will raise their revenue. We used simple random sampling because we were looking for subjects from variety of backgrounds. The research sampling was done by randomly giving survey to people in several areas in Bangkok districts. 300 questionnaires were given out and collected. In this research, the research design is exploratory research. The reason for this is because there is little research on the independent variables chosen for this research. This research is a quantitative research. This research is based on survey conducted by researchers. A survey is a formalized set of questions for obtaining information from respondents. The question was if you were choose between price, car model, safety, brand, or color of a car, what do you think will affect your buying decision the most? 66.67% of subjects were females. 33.33% of the subjects were males 37% of subjects say the brand of a car affects their buying decision the most, followed by price at 33%, then model at 23%. 50% of subjects choose the color of a car is the factor that least affects their buying decision, followed by safety at 27%. Brand and price were found to be the most influence and color, model and safety the least influence.**

Keywords: **auto manufacturers, information automotive industry, Buying Decision of a Car in Thailand.**

1. INTRODUCTION

1.1 Research Background:

Every day there are traffics in the city of Bangkok. The reason is because the city is over populated and the streets are small, but this doesn't stop the people from buying cars. People tend to buy cars for many reasons. It can be because they want to make their transportation more convenient or it can simply be because they have money. Transport activity, is a key component of economic development and human welfare. It is increasing all around the world as economies grow, transport activity will continue to increase in the future as economic growth fuels transport demand and the availability of transport drives development, by facilitating and specialization and trade (Kahn et al, 2007). The type of problems that can accrue is traffic, air pollution burning natural resources and accidents. In Thailand there are many types of cars. The majority of the brands are Honda, Toyota, Mitsubishi, Mazda, Ford, Nissan, BMW, and Mercedes. All these brands come in different sizes, qualities, and prices. The automotive cluster has been the priority sector for the economy of Thailand. It is the third largest sector contributing 12% of the GDP. The cluster contributes massively to international export and trade inflows (Ghazali, Lafortuen, Latiff, Limjaroenrat, and Whitesides, 2011).

1.2 Thailand Infrastructure:

Airport: with 28 commercial airports, all Thailand's regions are about an hour flight from Bangkok. Road Network: 98.5% is concrete or asphalt paved. Seaport: 122 ports, including eight international deep sea ports open to international

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trade. Rail and Mass Transit Systems: 4,044 kilometers on three lines, intersecting in Bangkok. The system connects with Malaysia's national system, providing direct linkages down to Singapore, and a railway link to across the Mekong is under construction at Nong Khai (BOI, 2010). Since there are many tourist place and work places in Bangkok, the city tends to be crowed. Nowadays there are more and more people wanting to buy a car, even though they know there will be traffic. Why is that so? The reasons can vary, but for sure their decision is influences a lot on their lifestyle. The buying decision is based on a person needs, wants, or problem. If the person feels some immediacy regarding their need/want/problem, they will start searching for general information about it. Most typical buying processes start when an individual becomes aware of a need or a want they would like to satisfy. That need or want may be the result of a problem they are experiencing (Hudadoff, 2009).

1.3 The Problem to be investigated:

So what drives these people to purchase a car? It depends mainly on their lifestyle. Lifestyle includes marital status, salaries, job, age, taste, class, and their everyday life. Lifestyle influences a lot on what brand to buy and when to buy it. So the problem is that, not all people look for the same thing in a car, so what should the automotive industry consider doing about it?

1.4 The Objective of the Study:

In this research researchers will find out what are the factors that affect consumers' buying decision in a car. The purpose of this is to inform automotive industry or whoever is concern, about it, and automotive industry can probably use it in making their product more efficient to their consumers.

1.5 The Scope of the Study:

This research is based on people in Bangkok. This is where most of the car are bought and used, so it is a good place to be used to conduct this research. This will also be where most of people are, and should their consumers' attitude be based on. Bangkok is a busy city that most of Thai people live, and they will need all types of transportation possible mainly considering needing a car.

The research will be of age 18 and up, since car buyers have to be at least 18 years old in Thailand to get a license. We will also target people around the age of 25 where they start to have steady income and would consider in buying a car. Then group them in to female and male. The research is conducted for the year 2012. The method that is used is questionnaires about what people look in a car. The reason for the research is to find what affect the customers' buying behavior and to find out what promotions will definitely attract new car buyers.

1.6 Research Significance:

It is important on what factors affect a person's buying decision for a car, because it is a way to satisfy car buyers' needs and wants (Hudadoff, 2009). With this information car dealers and the whole automotive industry itself can sell more cars and earn more money. Using this information may also make them sell more cars at a high price that customers do not mind to pay because this are satisfied with the car.
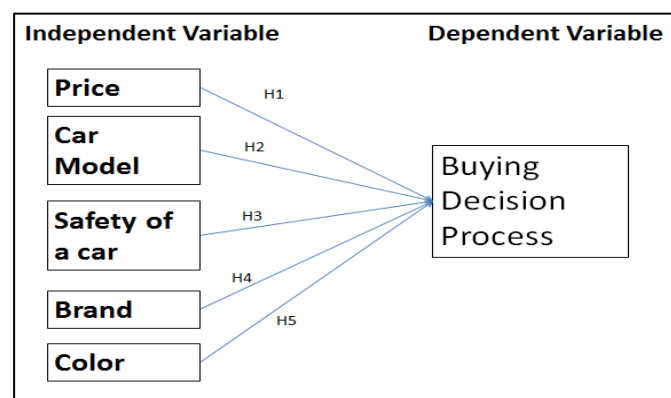
1.7 Conceptual Framework:

Figure 1: Conceptual Framework

1.8 Hypothesis:

H1: There is a relationship between the price of a car and the buying decision process.

H2: There is a relationship between the model of a car and the buying decision process.

H3: There is a relationship between the safety of a car and the buying decision process.

H4: There is a relationship between the brand of a car and the buying decision process.

H5: There is a relationship between the color of a car and the buying decision process.

1.9 Definition of Terms:

Price: the amount of money for which something is sold or offered for sale (Cambridge Academic Content Dictionary, 2011).

Model: a style of design of a car; the type of car or structure of the car (Ghazali et al., 2011).

Safety: the state of being safe; meaning the level of safety in a car (Cambridge Academic Content Dictionary, 2011).

Brand: kind grade, or make, as indicated by a trademark of the car (Aaker, 2002).

Color: the appearance of the skin; meaning the color of the car (Ghazali et al., 2011).

Buying decision process: Buying decision process is a series of choices made by a consumer prior to making a purchase that begins once the consumer has established a willingness to buy. The consumer must then decide where to make the purchase, what brand, model, or size to purchase, when to make the purchase, how much to spend, and what method of payment will be used (Business Glossary, 2000).

2.   LITERATURE REVIEW

2.1 Literature Review:

One thesis said that, Thailand shows impressive economic growth over the past ten years and is quite stable as an economy both economically as well as in terms of social indicators; despite some political instability, Thailand has strong fundamental indicators and shows every indication of remaining a vibrant South East Asian Economy, fertile for the growth of future clusters (Ghazali, Lafortune, Latiff, Limjaroenrat, & Whitesides, 2011). In Thailand there are many types of cars. The majority of the brands are Honda, Toyota, Mitsubishi, Mazda, Ford, Nissan, BMW, and Mercedes. All these brands come in different sizes, qualities, and prices. The automotive cluster has been the priority sector for the economy of Thailand. It is the third largest sector contributing 12% of the GDP. The cluster contributes massively to international export and trade inflows (Ghazali, Lafortuen, Latiff, Limjaroenrat, and Whitesides, 2011). Consumer behavior theory is a study of individuals' decision making process on how to spend their income. Buying process starts in the minds of the consumer, which leads to finding alternatives between products followed by a process of decision making for purchase and using the goods, and then the post purchase behavior (Schiffman & Kanuk, 1997).

2.2 The relevance of the study:

According to Aaker (2002), brand loyalty is considered to be essential components to organizational success. It can be measured in two dimensions; attitudinal and behavioral. Attitudinal loyalty implies that loyalty is a state of mind. Epstein (1996) and Jasfar (2001) found that company's performance in terms of economic growth come from image, repeat purchase, and referrals which are generated from customer satisfaction. The automotive cluster has been the priority sector for the economy of Thailand. It is the third largest sector contributing 12% of the GDP. The cluster contributes massively to international export and trade inflows (Ghazali et al., 2011).

According to Reicheld (1993), customer loyalty is one of the important aspects for business organizations. Previous studies and researches stated that customer loyalty is necessary for sustainability of every business. Selnes (1993) also stated that there are many antecedents affecting to customer loyalty. Selnes (1993) , Chitty et al. (2007) and Consuegra et al. (2007) explored that the factors such as perceived value, performance quality, price fairness, customer satisfaction and brand reputation have significant influence on behavior of customers (loyalty).

Cronin et al. (2000) , according to the representative research projects, stated that higher level of perceived value leads to higher level of customer satisfaction and loyalty. In the study of Poland automobile industry, Waligora (2007) found that the performance quality of product has positive impact to customer loyalty while brand reputation has little effect on loyalty.

The study is about ─Factors affecting customer loyalty. Five factors were mentioned in the study are: A. Perceived value, B. Performance quality, C. Price fairness, D. Customer satisfaction, E. Brand reputation, F. Customer loyalty.

A. Perceived value:

Perceived value is the worth of a product or service in customers' mind. Value is an outcome of a judgment. Mc Dougall and Levesque (2000) have defined the perceived value as a surplus for customers who get benefits along with their consumption.

B. Performance quality:

The quality of product or service evaluated based on extrinsic cues only such as brand name, price and package (Selenes, 1993). Parasuraman, Zeithal and Berry (1988) mentioned that performance quality is an overall judgment or attitude relating to the product or service.

C. Price fairness:

Bolton et al. (2003) [1] defined that price fairness the process to recognize by customers an outcome is reasonable, acceptable. Moreover, influence of consumer's price fairness will depend on the offer price that consumers received.

D. Customer satisfaction:

Oliver (1997) defined as customer satisfaction is a customers' response that comes out when consumers experience a pleasurable level of fulfillment when evaluating a product or service. Fornell (2001) found that satisfaction is as an overall feeling directly related to consumption and customers have the sense of how product or service meet to which level of their desire or standard norm.

E. Brand reputation:

Hellier et al. (2003) defined as brand reputation is the perception of quality associated with the brand name. There have been argued for which brand reputation and customer satisfaction are the same constructs. The brand reputation is more essential element for business. A key function of brand is that will be unique and the intrinsic cues or attributes are difficult to adopt. The intrinsic cues mean the physical or technical composition of a product. Brand name is defined as an extrinsic cue which means the attribute must be related with the product but not the physical part of the product itself. Brand reputation is impacted by direct experiences of customers. Brand reputation can be occurred by positive attitude followed by consumption (Selnes, 1993).

F. Customer loyalty:

Customer loyalty can be defined as a behavior of customers to rebuy or repertories a specific product or service repeatedly in the future (Oliver, 1997). Thereby, purchasing the same brand repeatedly, despite there are some factors which encouraging to switch to other choice. Wong and Sohal (2003) also defined that more consumers fulfill their expectations during the purchase of product or service. Creating customer loyalty is an essential objective in strategic marketing and relationships marketing concepts (Gwinner et al., 1998)

3. RESEARCH METHODOLOGY

3.1 Introduction:

In this research we will find out what are the factors that affect consumers' buying decision in a car. The purpose of this is to inform automotive industry or whoever is concern, about it, and automotive industry can probably use it in making their product more efficient to their consumers.

3.2 Research Design:

In this research, the research design is exploratory research. The reason for this is because there is little research on the independent variables chosen for this research. This research is a quantitative research. This research is based on survey conducted by researchers. A survey is a formalized set of questions for obtaining information from respondents.

3.3 Population and Sample Size:

The population samples are residents in Bangkok, because most of them will have steady income and would consider in buying a car. The population in Bangkok is 8,280,825 (Wikimedia Foundation, 2012). The reason for choosing Bangkok is because it is one of the populated cities in Thailand.

$$n = \frac{N}{1 + Ne^2}$$

n = monocle size

N = population

E = error of sampling

n =   8,280,825

        [1 + 8,280,825 (0.05)(0.05)]

= 399.98

Approximate n = 400 Samples

According to this Yamane formula, the total number of samples used in this research is 400. The sampling that was used was simple random sampling. The reason was because we are looking for subjects in all situations. The research sampling will be done by randomly giving survey to people in the busy area in the Bangkok districts. The sampling frame will be people who live in Bangkok; who are in the location that was surveyed; from 1p.m. to 6p.m.; and participate in the survey. Due to the limitation of time and budget researchers were only able to survey 300 subjects.

3.4 Data Collection Procedures:

Step 1: Make questions for survey, and scripts for the people to survey the subjects

Step 2: Go to busy area in Bangkok (like outside the mall and at Siam Square).

Step 3: Survey random people who are walking pass.

Step 4: Gather those information and then analyze and fine any errors.

3.5 Draft of Research Instrument:

Survey Questions					
1 Sex	Female	Male			
2 Age	Under 20	21-31	31-41	above 40	
3 What is your monthly income?	< 10,000	10,001 - 20,000	20,001 - 30,000	30,001 - 40,000	> 40001
4 What is your occupation?	Student	Private Business	Freelancer	Others	

5   What car are you driving now?   _____

If you were to choose between price, car model, safety, brand, or color of a car, what do you think will affect your buying decision the most?

Price	Model	Safety	Brand	Color

What will affect you the least?

Price	Model	Safety	Brand	Color

From 1 to 5, 1 being the least and 5 being the most.

	1	2	3	4	5
How much does price affect your buying decision?					
How about the model of the car?					
How about the safety of a car?					
How about the brand of a car?					
How about the color of a car?					

Figure 2: Survey Questions

4. RESEARCH FINDING

4.1 Introduction:

This part presented the survey outcomes of the research by using the quantitative techniques to analyze the data regarding the influential factor toward the buying decision of a car. In this study, the researchers used questionnaire as a tool to collected data from 300 samples. The content of research tool was related to price, model, color, brand, and safety of a car to buying decision of a car. The samples profile of the survey was initially demonstrated at the beginning of the chapter. Next session displayed the survey outcomes which related to the Hypothesis study.

4.2 Sample Profile:

The data of 300 samples profile were collected from the informants who came from vary demographic groups, departments and positions in Bangkok, Thailand. In order to ensure the validity of the information in hypotheses tested, the researchers have classified and separated the data that came from the informants who has not complete in the given information. Thus the result of this research study would reliable and validity. 66.67% of subjects were females. 33.33% of the subjects were males. 73.33% of the subjects were of age 21 to 30, followed by 16.67% are of age 31 to 40 and then 10% are under 20. 43% of subjects are students. Most of the monthly incomes recorded are less than 10,000 Baht (37%) followed by 10,001 to 20,000 Baht (33%).

Gender			
	Female	200	66.67%
	Male	100	33.33%
Age			
	Under 20	30	10.00%
	21-30	220	73.33%
	31-40	50	16.67%
Monthly Income			
	Less than 10,000	110	37%
	10,101-20,000	100	33%
	20,001-30,000	50	17%
	30,001-40,000	20	7%
	>40,001	20	7%
Occupations			
	Student	200	67%
	Private Business	20	7%
	Freelance	20	7%
	Others	60	20%

Figure 3: Survey Questions

4.3 Data Analysis:

If you were to choose between price, car model, safety, brand or color of a car, What do you think will affect your buying decision the most?

Table A

Price	100	33%
Model	70	23%
Safety	20	7%
Brand	110	37%
Color	0	0%

What will affect you the least?

Table B

Price	10	3%
Model	50	17%
Safety	80	27%
Brand	10	3%
Color	150	50%

Figure 4: Most and Least Influences

37% of subjects say the brand of a car affects their buying decision the most, followed by price at 33%, then model at 23%. 50% of subjects choose the color of a car is the factor that least affects their buying decision, followed by safety at 27%.
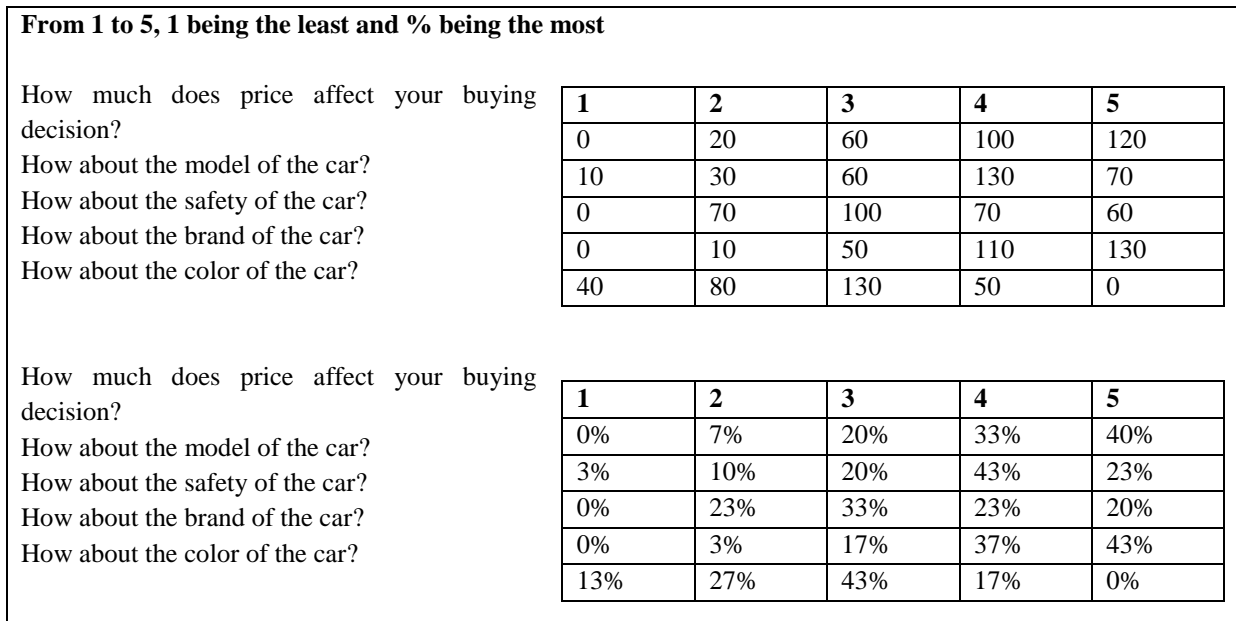

From 1 to 5, 1 being the least and % being the most

How much does price affect your buying decision?
How about the model of the car?
How about the safety of the car?
How about the brand of the car?
How about the color of the car?

1	2	3	4	5
0	20	60	100	120
10	30	60	130	70
0	70	100	70	60
0	10	50	110	130
40	80	130	50	0

How much does price affect your buying decision?
How about the model of the car?
How about the safety of the car?
How about the brand of the car?
How about the color of the car?

1	2	3	4	5
0%	7%	20%	33%	40%
3%	10%	20%	43%	23%
0%	23%	33%	23%	20%
0%	3%	17%	37%	43%
13%	27%	43%	17%	0%

Figure 5: Buying Decision Influence Level

Figure 5 shows the factors that affect buying decision of a car from 1 to 5 and the sum of subjects that has choose which ever factors. As for the bottom chart shows the percentage from 30 subjects.

Testing Hypotheses:

H1: There is a relationship between the price of a car and the buying decision process.

H2: There is a relationship between the model of a car and the buying decision process.

H3: There is a relationship between the safety of a car and the buying decision process.

H4: There is a relationship between the brand of a car and the buying decision process.

H5: There is a relationship between the color of a car and the buying decision process.

Date analysis shows that there are relationship between the independent variables and the dependent variable. The brand of a car has the most influence on people's buying decision as for the color of the car is the least.

5. CONCLUSION

5.1 Finding of the Study:

This chapter empirically examined and compared result which related to the study of what affects the buying decision of a car. The result from quantitative has shown that there are brand as well as price have a high level of influence towards the buying decision process of a car. As for color and safety of a car have low level of influence towards the buying decision process of a car. This research attempted to provide a guideline to understand car purchase decision process. It was concluded that No down payment was the most effective promotion to draw new car buyers along with the result of A seven year parts warranty, as for Cost-free upgrades was the least effective promotion to draw new car buyers. Surviving and gaining more market share in this highly competitive market requires the managers to have up to date information on customers' preferences. In auto industry the firms aggressively try to come up with innovative products and with a wide range of products satisfy the customers. These firms try to differentiate their brand and products from their competitors through the marketing mix of product, price, promotion and place (logistics).

Understanding customers want and preferences are the key success factors for the auto manufacturers. It is crucial to

identify the factors that customers prefer the best and are the most influential on their decision making process. Managers by considering the result of this study may have a better understanding of on what aspects of marketing mix or product characteristics they should emphasize more. 66.67% of subjects were females. 33.33% of the subjects were males. 73.33% of the subjects were of age 21 to 30, followed by 16.67% are of age 31 to 40 and then 10% are under 20. 43% of subjects are students. Most of the monthly incomes recorded are less than 10,000 Baht (37%) followed by 10,001 to 20,000 Baht (33%). Most of the monthly incomes recorded are less than 10,000 Baht (37%) followed by 10,001 to 20,000 Baht (33%). 67% of subjects are students. 7% of the subjects are in private business. 7% are freelancers and 20% had other occupations. 37% of subjects say the brand of a car affects their buying decision the most, followed by price at 33%, then model at 23%. 50% of subjects choose the color of a car is the factor that least affects their buying decision, followed by safety at 27%.

In the last part of the questionnaire the subjects were asked to answer 5 questions by choosing from 1 to 5, 1 being least and 5 being the most effective. The questions are:

1. How much does price affect your buying decision?

2. How about the model of the car?

3. How about the safety of the car?

4. How about the brand of the car?

5. How about the color of the car?

Most Influence:

12 chose category 5, followed by 10 for category 4, 6 for category 3, 2 for category 2 and 0 for category 1 for question one.

13 chose category 4, followed by 7 for category 5, 6 for category 3, 3 for category 2 and 1 for category 1for question two.

10 chose category 3, followed by 7 for category 2 and 4, 6 for category 5, and 0 for category 1 for question three.

13 chose category 5, followed by 11 for category 4, 5 for category 3, 1 for category 2 and 0 for category 1 for question four.

And finally 12 chose category 5, followed by 10 for category 4, 6 for category 3, 2 for category 2 and 0 for category 1for question 5.

Least Influence:

40% chose category 5, followed by 33% for category 4, 20% for category 3, 7% for category 2 and 0% for category 1.

43% chose category 4, followed by 23% for category 5, 20% for category 3, 10% for category 2 and 3% for category 1.

33% chose category 3, followed by 23% for category 2 and 4, 20% for category 5, and 0% for category 1.

43% chose category 5, followed by 37% for category 4, 17% for category 3, 3% for category 2 and 0% for category 1.

43% chose category 3, followed by 27% for category 2, 17% for category 4, 13% for category 1 and 0 for category 5.

5.2 Recommendation:

This research attempted to provide a guideline to understand car purchase decision process and shed light on factors affecting customers' decision in car purchase. As discussed earlier the automobile industry as a whole is highly competitive. Surviving and gaining more market share in this highly competitive market requires the managers to have up to date information on customers' preferences. In auto industry the firms aggressively try to come up with innovative products and with a wide range of products satisfy the customers. These firms try to differentiate their brand and products from their competitors through the marketing mix of product, price, promotion and place (logistics). Understanding customers want and preferences are the key success factors for the auto manufacturers. It is crucial to identify the factors that customers prefer the best and are the most influential on their decision making process. Managers by considering the result of this study may have a better understanding of on what aspects of marketing mix or product characteristics they should emphasize more.

The findings of this research show that brand, price and model respectively are the factors affecting customers' decisions in purchasing car the most. These findings suggest that the managers should focus more on the image of brand to possibly reposition it in mind of customers. The fact that the brand of the car is more important than the price implies that customers are likely to pay more for a brand which they perceive higher in value and image. The fact that safety and color were the least influential factors suggests that customers generally do not make their decisions based on these factors. Managers should keep in mind that these factors are minor in mind of customers and the least in their preferences. The practitioners may be able to shift their resources more to those influential factors of brand, price and model to retain or gain more market share and consequently more revenue.

5.3 Research Limitations and Difficulties:

In carrying out this study, the researchers accepted that many limitations have been confronted. The first limitation was insufficient cooperation from the target samples. The second limitation was that there was not enough time to survey the full sample size. The third was that random sampling has it's frame.

5.4 Suggestion for Future Research:

After the above research was done, the research looking forward to compare the result from various industries study, thus it would highlight the influential factor which can adopted create a success of models which can adopted and personalized to each individual industries.

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