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Factors of Car Buying In Urban Market

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***Abstract**: Nowadays, cars have become synonymous with the modern city market. The development and splendor of the city can also portray by the use of cars. The purpose of this study is to analyze the factors affecting car buying in an urban market. This research used descriptive and causal research design. Primary data were collected. Survey research was administered, and 100 responses were collected. A PLS-SEM tool was used to test validity, reliability, and path of advanced modeling. This research confirmed expected features, price, and dealer/showroom influence significantly influencing car buying. After-sales service does not affect car buying. Marketers should identify target groups who showed an interest in cars, and marketing programs should be directed.*

***Keywords**: Car buying, Urban Market, PLS-SEM, Features, Price.*

I. Introduction

Consumer behavior is the study of how an individual or a group buys, consumes, or uses a product and disposes of it (Solomon, 1995). Consumer behavior is the audit of consumers' steps to fulfill their satisfaction (Solomon, 1995). In marketing, not only actual buying but also overall buying is considered as consumer behavior, which includes pre-purchase and post-purchase behavior. Pre-procurement involves awareness of the need and search and evaluation of goods and services to satisfy the need. Post-purchase activities include product valuation and anxiety reduction after purchase. These activities affect purchases or repurchases at various stages of marketing (Foxall, 1987).

II. Literature Review And Theoretical Framework

Kotler et al. (1999) describe the consumer procurement process in five phases: identifying needs, searching for information, evaluating alternatives, procurement work, and post-procurement behavior are discussed in detail.

Hawkins et al. (2007) discuss various aspects influencing consumer buying, such as demographic and social influences, group influences, advertising, and internal influences. Similarly, consumer decisions, involvement in procurement, participation in item selection, etc., have also been disclosed. According to Loudon and Bitta (2004), consumer behavior plays an important role in deciding on market segmentation and marketing strategies. If consumer behavior is studied, their expectations can be understood. Therefore, consumer behavior is an applied discipline (Loudon & Bitta, 2004). Lovelock (2010) focuses on producing, delivering, and delivering quality services to provide customer satisfaction. Batra and Kazmi (2008) discuss on consumer procurement stages, the black box theory of consumers, and the importance of consumer behavior. According to Kotler (2008), the consumer should be placed at the center of business activities. Marketing is the most important part of attracting and maintaining customers. Nair (2007) describes consumers' role in marketing in terms of the multidimensional dimensions of consumer behavior. Many theories and frameworks have been considered. Kumra (2007) covers consumer behavior in the South Asian context. It is explained consumer relationships marketing, experience marketing, consumer interest protection, and consumer trends. Schiffman and Kanuk (2006) discuss consumer behavior and service marketing in uncertain situations. Lovelock and Writz (2003) present service marketing as a broad-based discipline and argue that a company can only succeed if it can balance marketing, operations, and human resources. Zeithaml and Bitner (2012) have been studied consumer behavior in the service sector, and service standardization, service transfer and delivery, and commitment to service have been revealed.

Shimpi (2012) found expected features of the car (make-up of the car, color) and the price affects purchasing a car. Stella and Rajeswari (2012) depicted after-sales services as a must for a car purchase. Chang and Hsiao (2011) confirmed high price influence affects fewer tendencies to purchase a car. Ganapathi et al. (2010) concluded expected features like driving comfort, fuel economy, spare parts, pick-up, model, brand image, internal space, and maintenance cost has more influence over consumer purchases on a car. Price and after-sales

service influence purchasing a car. Subadra et al. (2010) found that features like driving comfort, fuel economy, spare parts availability, pick-up, attractive model, road grip, brand image, internal space, and maintenance cost have more influence on car purchases. Price and after-sales affect car purchase. Dongyan and Xuan (2008) proved customer trust information from car sales staff or dealers. Chidambaram et al. (2004) found that customers give more importance to fuel efficiency features than other factors in automobiles. Reasonable prices affect car purchase.

Expected features are the features of the car that the consumer is looking for when buying a car. These are color of the style, economy, pic-up, smoothness in gear change, riding comfort, brakes, engine beat, safety and road grip, brand reputation.

Dealer/showroom includes showroom activities. Car is a high ticket item, so customer prefers to purchase it from authorized dealers/showroom. Companies have opened car showroom in the central location of markets. Sales staff must be knowledgeable and able to interact and resolve the customer's queries towards the car brand. The showroom should also provide after-sales and other services. Showroom infrastructure must be attractive.

Price is the most important factor of marketing strategy. Price has the responsibility to recover all the operational costs plus profit. Price should not seem expensive; it should be reasonable. Price discounts, coupons, and seasonal discounts are the main strategy related to price.

When a customer buys a product, after-sales service is started. However, in contrast, a consumer is clever when they are not assured about after-sales service; they will not buy the product. After-sales service is an indispensable thing for a high-ticket item. Customer needs quality in after-sales like available spare parts, trained mechanics to handle their product. Delivery in time is also an important part. Customer needs good instructions for handling the product to make the product long life working.

In other parts of the world, there are numerous studies on the behavior of car purchases. However, there are lacking studies done on car buying in the urban city probably. So, this research is designed to measure the factors of car buying in an urban city.

Research questions of the study as what are the factors of car buying in the urban city?

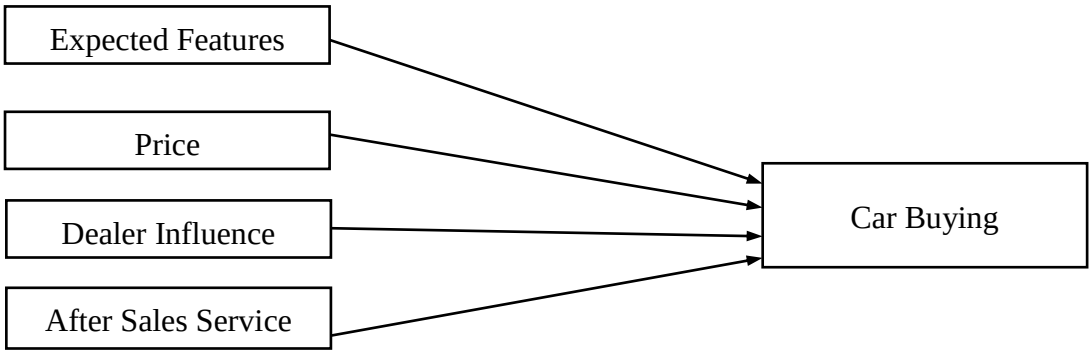
The purpose of the study is as follows,

- To analyze the effect of expected features on car buying.
- To measure the effect of price on car buying.
- To assess the effect of dealer/showroom influence on car buying.
- To examine the effect of aftersales service on car buying.

This research has some limitations. The study focuses only on car purchases in Kathmandu city. Kathmandu is centrally located. Future research needs to be done to expand the results beyond Kathmandu city. The study was based on data from the self-administered questionnaire by the car owners selected. Primary data collection and analysis have been carried out. This research did not include sales and other secondary data.

The research framework is shown in Figure1.

Figure1: Theoretical Framework



Development of Hypotheses

H1: Expected features have a significant influence on car buying.

H2: Price has a significant influence on car buying.

H3: Dealer/Showroom influence has a significant influence on car buying.

H4: After-sales service has a significant influence on car buying.

III. Methods

This research used descriptive and causal research design (Malhotra & Birks, 2006). Primary data were collected. Sources of data are car owners in Kathmandu City. The population of the study was people who have purchased the car from the showroom within two years. The sample frame is the parking lot of mall and departmental stores and car servicing center. People have been approached car parking at different malls, departmental stores, service centers and gathered responses. In some cases, car owners were not met; only car drivers were met in parking and car service centers, they were not taken as a sample. The convenient sampling method was used to give a general world view of analysis (Henry, 1990; Kayaman & Arasli, 2007; Kobayashi, 2011). Structured questionnaires were made on anchoring 'Strongly Disagree=1' to 'Strongly Agree=5'. Survey research was done for collecting primary data (Malhotra & Birks, 2006).

Seventy percent of respondents were male, and 30 percent of respondents were female. The majority of the respondents were from the age of 40 to 50, representing 46 percent. Twenty-one percent of respondents were at the age of 30-40 years. Forty-five respondents were professionals. Forty-five percent of respondents were income up to Rs. 3 to 4 Lakhs. Sixty-percent of respondents had master's degree qualifications, and 25 percent had bachelor's degree qualification.

SEM tools have been used to evaluate the proposed model. SEM tests the model's reliability and validity by reclassifying 5000 samples through bootstrapping (Hair et al., 2014). Smart PLS 2.0 is run for SEM analysis.

IV. Results and Analysis

This study is based on an analysis of the factors that influence car purchases in the urban market. This model has been evaluated in two stages (Hair et al., 2014). The first assessment is the test of the outer model and the second assessment is the test of the inner model. The outer model measures the reliability and validity of constructs, while the inner model verifies the path relationships between constructs (Hair et al., 2014). PLS-SEM is a familiar tool in market research, and it accurately estimates the path coefficient. This tool is flexible in small sample numbers and solves non-normality issues (Hair et al., 2014).

Measurement Model

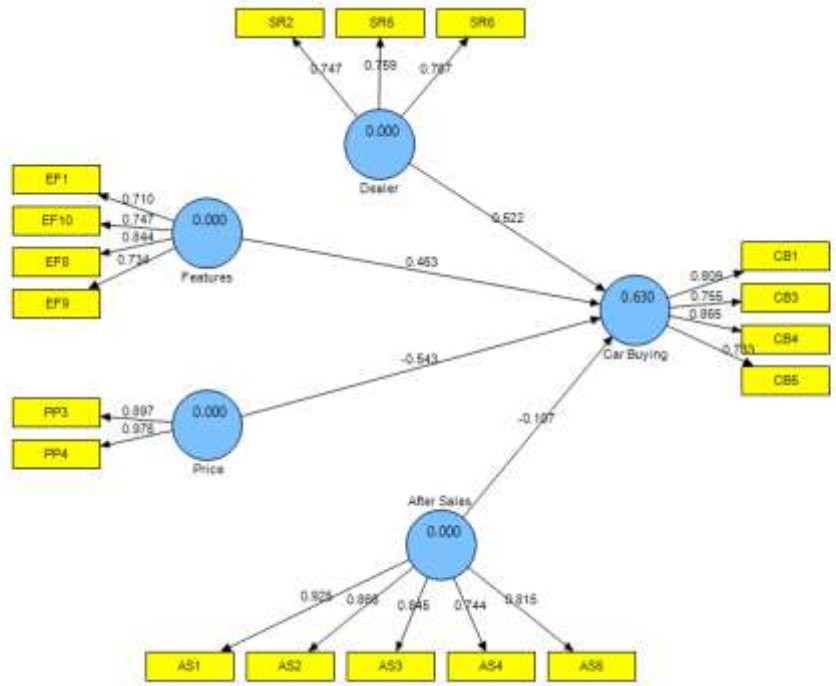
The measurement model looks at the psychometric aspects of the model. These include item loadings, Composite reliability (CR), and Average Variance Extracted (AVE). This is described in Table 1.

Table1: Outer or Measurement Model

Constructs	Composite Reliability (CR)	Cronbach's Alpha	AVE
After-Sales	0.923	0.901	0.707
Car Buying	0.870	0.801	0.627
Dealer Influence	0.802	0.635	0.574
Expected Features	0.845	0.762	0.578
Price	0.935	0.876	0.879

In Table 1, the value of Cronbach's Alpha appears to be higher than 0.7. This shows that the constructs are reliable (Hair et al., 2014). Accordingly, each variable's CR value is greater than 0.7, and the AVE value is greater than 0.5. CR and AVE values are required to measure the validity of constructs. The value of CR must be greater than 0.7, and the value of AVE must be greater than 0.5 (Hair et al., 2014). If the value of CR is more than AVE, then that model is considered valid (Hair et al., 2014).

Figure 2: Measurement Model (Graph)



From Figure2, loadings on indicator variables are above 0.6, so the construct is reliable (Hair et al., 2014). Car buying is explained by .630 or 63 percent.

Indicator's items' cross-loadings are also checked for discriminant validity. Table 2 explained it.

Table2: Cross-Loadings

Items	After-Sales	Car Buying	Dealer Influence	Expected Features	Price
AS1	**0.925**	0.542	0.632	0.596	-0.043
AS2	**0.866**	0.376	0.418	0.334	-0.179
AS3	**0.845**	0.247	0.595	0.239	0.120
AS4	**0.744**	0.151	0.533	0.248	0.254
AS5	**0.815**	0.285	0.385	0.369	0.013
CB1	0.291	**0.809**	0.336	0.277	-0.540
CB3	0.288	**0.755**	0.393	0.143	-0.372
CB4	0.298	**0.8651**	0.474	0.426	-0.164
CB5	0.516	**0.733**	0.349	0.637	-0.086
EF1	0.365	0.209	0.263	**0.710**	0.042
EF10	0.616	0.388	0.258	**0.747**	-0.016
EF8	0.235	0.427	0.133	**0.844**	0.144
EF9	0.228	0.331	0.207	**0.734**	0.302
PP3	0.036	-0.210	0.172	0.274	**0.897**
PP4	-0.037	-0.431	0.159	0.089	**0.976**
SR2	0.361	0.425	**0.747**	0.159	0.003
SR5	0.737	0.341	**0.759**	0.261	0.114
SR6	0.296	0.327	**0.767**	0.202	0.311

Table 2 shows that the indicators' values are only shown high in the same constructs, and those indicators are loaded in the same constructs. This means no cross-loadings, which is proof of discriminatory validity (Hair et al., 2014).

Fornell and Larcker Criterion (1981) is also an old method of measuring discriminatory validity. The diagonal line represents the square root of the AVE of the constructs and should be greater than the inter-item correlation of the constructs on the row and column. Table 3 makes it clear.

Table 3: Fornell and Larcker Criterion

	After-Sales	Car Buying	Dealer	Features	Price
After-Sales	**0.841**				
Car Buying	0.435	**0.792**			
Dealer Influence	0.607	0.488	**0.758**		
Features	0.472	0.468	0.270	**0.760**	
Price	-0.014	-0.378	0.173	0.158	**0.938**

According to Table 3, each row and column's value appears to be greater than the value of the diagonal line (Bold). This means that the constructs are different. Discriminant validity is proven (Fornell & Larcker, 1981).

Structural Model

The structural model tests the hypothesis in which the value of the beta, t-value, is determined by bootstrapping of 5,000 resamples. This is explained by Figure 3.

Figure 3: Structural Model

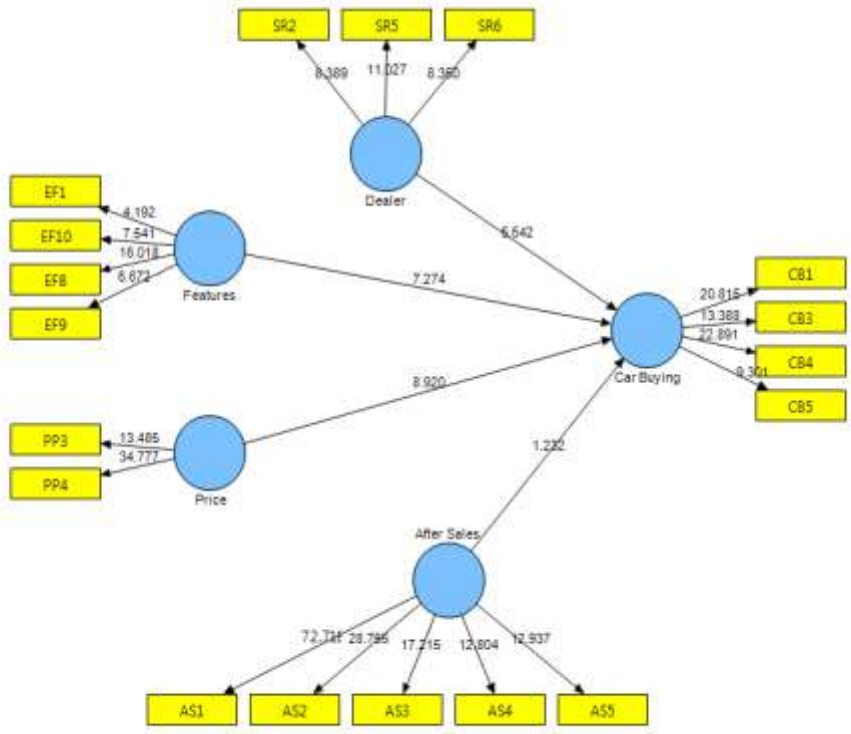


Figure 3 highlights indicator items and path coefficients based on t-value. The link between endogenous and exogenous constructs was assessed for a path coefficient (β) of 5 percent and t-statistical value above 1.96. (Hair et al., 2012). The coefficient value is also taken into account, explaining the model's variation (Henseler et al., 2015). Table 4 shows path coefficients.

Table 4: Path Coefficients

Path	Beta	t-value	Decision
H1: Expected Features -> Car Buying	0.463	7.126	**Accepted**
H2: Price -> Car Buying	-0.543	8.777	**Accepted**
H3: Dealer Influence -> Car Buying	0.522	5.597	**Accepted**
H4: After Sales -> Car Buying	-0.107	1.239	**Not Accepted**

Table 4 shows the path relationship between constructs. It showed the relationship between expected features and car buying (β=.463, t-value=7.126), price and car buying (β=-.543, t-value=8.777), and dealer/showroom influence and car buying (β=.522, t-value=5.597) are significant, providing support for H1, H2, and H3.

However, the relationship between after-sales and car buying (β=-.107, t-value=1.239) is not providing support for H4.

V. Conclusion

This research attempts to examine the factors of car buying in the urban market. Of the four hypotheses, three hypotheses were supported. Expected features, price, and dealer/showroom influence have a significant influence on car buying. Expected features affect car purchase. This is in alignment with Shimpi (2012), Ganapathi et al. (2010), Subadra et al. (2010), and Chidambaram et al. (2004).

Price affects car buying. This is consistent with Chang and Hsiao (2011), Ganapathi et al. (2010), Subadra et al. (2010), and Chidambaram et al. (2004) that price affects car buying.

Dealer influences car buying. This is consistent with Dongyan and Xuan (2008) that dealer staff's behavior and dealer services motivate customers to buy the car brand.

After-sales does not affect car buying. This finding is in contrast with Stella and Rajeswari (2012), Ganapathi et al. (2010), and Subadra et al. (2010). The customer gives more attention to features and price and least attention given to after sales service for purchasing a new car.

With the spread of urbanization, people's aspirations are changing. There is a growing tendency for cars to be accepted as an essential commodity instead of a luxury in the city market. Clever marketers who understand the consumer's attitude are adopting various techniques to sell cars. It is wise for people to study the most sought features of a car and offer it at a price that suits the market. As cars are expensive items, dealers/showrooms have also become a major factor. Even if the consumer does not pay attention immediately, the post-purchase services should be streamlined. This helps in customer retention. The marketing program should be positioned at identifying the class of people who are showing interest in cars.

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