Consumer Buying Behavior of Locally Assembled Private Vehicles in Addis Ababa

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Abstract

The aim of the study was to describe consumer's buying behavior of locally assembled private vehicles in the city of Addis Ababa. Thus, it identifies the most important factors which influence consumer's vehicle buying behavior in Ethiopia. A mixed approach was applied together with survey to collect data from 200 locally assembled private vehicle consumers. The finding shows that the resale-value was ranked as the most important vehicle purchase parameter and friends and family members were the most widely used information sources to purchase cars. Further, except price, the rest dimension had positive correlation with buying behavior. Among all independent variables product quality had the highest strong and positive relationship with buying behavior (r=.699) followed by After-sales Service (r=.679), Information Search (r=.610) and Brand Image (r=573).

Keywords: Buying Behavior, Product Quality, Price, Re-sale value.

I. Introduction

The car industry accounts for a significant portion of GDP in car producing and assembling countries, affecting levels of employment and income, the balance of payments, economic growth and valuable inward foreign direct investment (Krempel and Pluemper, 1997). Ethiopia's automotive industry is one of the major contributors' to the national economy. The development of automotive industry in general and the local assembling sector in particular has been positively influenced by the recent favorable economic developments (Eskinder D., 2007).

Due to globalization and liberalization car assemblers and manufacturers introduced much innovative and technological advancement in their models. Customers conversely have started thinking to change over to the new models of cars, with related ease than before, to suit their changing life styles (Eskinder D., 2007). Research shows that two different buyers buying the same product may have done it for different reasons; paid different prices, used in different ways, have different emotional attachments towards the things and so on. Hence, marketers need to study the consumer behavior, as it helps them to position their products better and develop effective marketing strategies (Chernev, A., 2006).

Consumer behavior has been always of great interest to marketers. A consumer's buying behavior is influenced by demographic, economic, cultural, social, geographical, and psychological factors. Most of these factors are uncontrollable and beyond the hands of marketers, but they have to be considered while trying to understand the complex behavior of the consumers (Senecal, S. and Nantel, J. p 159, 2004).

This study discussed the most significant factors which heavily influence consumers vehicle buying behavior, the most important vehicle purchase parameters, the decision making process, the parties who influence consumers purchase decision and the information searches consumers will go through while purchasing locally assembled private vehicles.

1.2. Problem Statement

The private car market changed very rapidly due to the fierce competition and advanced technology, therefore, it requires the automotive manufacturers and car dealers to understand the consumers' preference on time and take fast actions to reflect market changes quickly (Choo, S., Mokhtarian, P.L, 2004). Consumers' product and service preferences are constantly changing. In order to address this constant state of flux and to create a proper marketing mix for a well-defined market, marketing managers must have a thorough knowledge of consumer behavior.

Cars though considered as luxury once, now occupies a part of day-to-day life and has become a necessity. People who were not ready to spend their money on luxuries have now changed their attitude that, "yesterday's luxuries are today's necessities." To be a successful marketer it is absolutely essential to read the minds, perceptions and overall behavior of the prospective car buyers (Matin Khan, 2006).

Due to the emergence of globalization and liberalization a number of global players are entering into Ethiopia and creates a stiff competition among the variety of private local vehicle assemblers and manufacturers. Addis Ababa, which is selected for this study, is one of the main growing markets for car manufacturers, assemblers and importers and the total populations of private vehicle owners are enormous. According to the Ethiopian transport authority currently the total numbers of private vehicles in the different sub-cities of Addis Ababa are 107,576 and the number is escalating each year.

According to the preliminary study conducted, even though the demand of private car increases and the government policy create conducive environment for the growth of automotive industry, local private vehicle

assemblers are unable to penetrate the market and compete with importers of different brand of cars.

Compared to the global automobile sector, where substantial research has been done, very little empirical research has been conducted on the Ethiopian automobile industry and so far there are little organized and comprehensive study conducted on consumer's vehicle buying behavior in the private car segment conducted with specific reference to the capital city --Addis Ababa. So, it is very interesting to know the consumers buying process and preference in today's fast-changing private car market.

The researcher after evaluating various related studies carried out by other researchers and conducted in different countries, decided to study consumers buying behavior particularly in the area of locally assembled private vehicles by addressing basic attributes which might have significant influence on the purchase decision of locally assembled private cars. The researcher in this study has tried to answer the following basic research questions:

- ❖ What are the most important vehicle purchase parameters consumers consider while purchasing locally assembled private vehicles?
- ❖ How consumers make decision regarding the purchase of locally assembled private cars?
- ❖ Does an increase in price indeed have a significant influence on the purchase of locally assembled private vehicles?
- ❖ Do really after-sales service have a significance influence on vehicle purchase decision?
- ❖ Do Perceived quality have a significant influence on locally assembled private vehicle buying behavior.
- ❖ Do brand Image have a significant influence on locally assembled private vehicle buying behavior
- ❖ Do information search processes of consumers have a significant influence on locally assembled private vehicle buying behavior?
- ❖ Which factor will have a significant influence on the purchase decision of locally assembled private vehicles? and
- ❖ What measures should be taken by local private vehicle assemblers in order to stimulate the growth of the sector and its contribution to the nation economy?

1.3. Research Hypothesis

Based on the above listed research questions and objectives the following hypothesis were developed.

Hypothesis 1: Brand Image of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

Hypothesis 2: A Decrease in the Price of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

Hypothesis 3: After sales Service of Local Private Vehicle Assemblers has a significant influence on Consumers buying behavior.

Hypothesis 4: Information search of Locally Assembled Private Vehicle Buyers has a significance influence on buying behavior.

Hypothesis 5: Product Quality of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

2.0. Literature Review
2.1 Introduction

An important part of the marketing process is to understand why a consumer or buyer makes a purchase (Schiffman Leon G. & Kanuk Leslie Lazar, p 10, 2000). Each consumer is unique and this uniqueness is reflected in the consumption pattern and process of purchase (Blackwell Roger D., Miniard W. Paul & Engel F. James, p 5, 2003). What we buy, how we buy, where and when we buy, in how much quantity we buy depends on our perception, self concept, social and cultural background and our age and family cycle, our attitudes, beliefs, values, motivation, personality, social class and many other factors that are both internal and external to us (Matin Kahn, p 4, 2006).

Consumer's Purchasing Process: Consumers typically follow a purchasing process sequence of steps. This process is repeated countless times in a consumer's lifetime. The goal of marketing is to influence this process so that each step ultimately narrows down a consumer's choice of competing options to one product brand (Matin Khan, 2006).

Consumer Decision Process: The consumer's choice results from the complex interplay of cultural, social, personal and psychological factors. Although the marketer cannot influence many of these factors, they can be useful in identifying interested buyers and in shaping products and appeals to serve their needs better. Marketers have to be extremely careful in analyzing consumer behavior. Consumers often turn down what appears to be a winning offer (Blackwell, Miniard & Engel P. 70, 2006).

2.2. Characteristics Affecting Consumer Buying Behavior

Consumers" purchase process is influenced by a number of different factors, some of which marketers cannot control, such as cultural, social, personal, and psychological factors. However, these factors must be taken into consideration in order to reach target consumers effectively (Kotler, 2002).

2.3. An Overview of Vehicle Market

As Masoom Ahmed and Fazluz Zaman cited on Womack (1990) the production of private cars and its trade in global market have impact on employment, the balance of payments, economic growth and valuable inward foreign direct investment. Understanding how consumers shop for vehicles, what leads them to buy, and how to acquire and maintain their loyalty is increasingly important in today's complex environment (Cars online, p 7, 04/05). A number of studies note that the decision to purchase a car is a complex, some say highly irrational, decision influenced by a wide range of factors (e.g. Plotkin, 1999 (quoted by UKERC, 2009 61), Kurani and Turrentine, 2004). ADAC (2005) suggested that consumers' awareness of fuel economy and other environmental issues was not high, although this was growing.

According to the Ethiopian Transport Authority the total number of all private cars registered in different sub-cities of Addis Ababa until December 2012 are 107576.
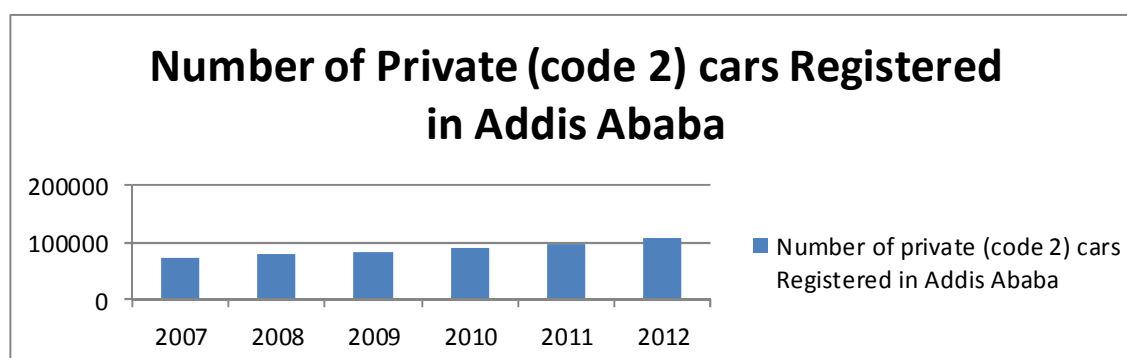
Source: Ethiopian Transport Authority, 2013
Figure 2.1 Number of Private (code 2) vehicles
Factors Affecting Consumers Buying Behavior of Private Vehicles: Consumer choice can be strongly influenced by the way that information is provided in-store and online, and consumers rely heavily on the opinions and advice of other people (cars online, 2004). Chidambaram and Alfred (2007) reveal that customers give more importance to fuel efficiency than other factors. According to Bucklin et al. 1998, (cited in Department of Management and Marketing, 2008) price significantly influences consumer choice and incidence of purchase of a car. According to Rigopoulos et al. (2008) after sales service has significant and positive impact on customer satisfaction which in turn positively impacts buying behavior of the consumers.
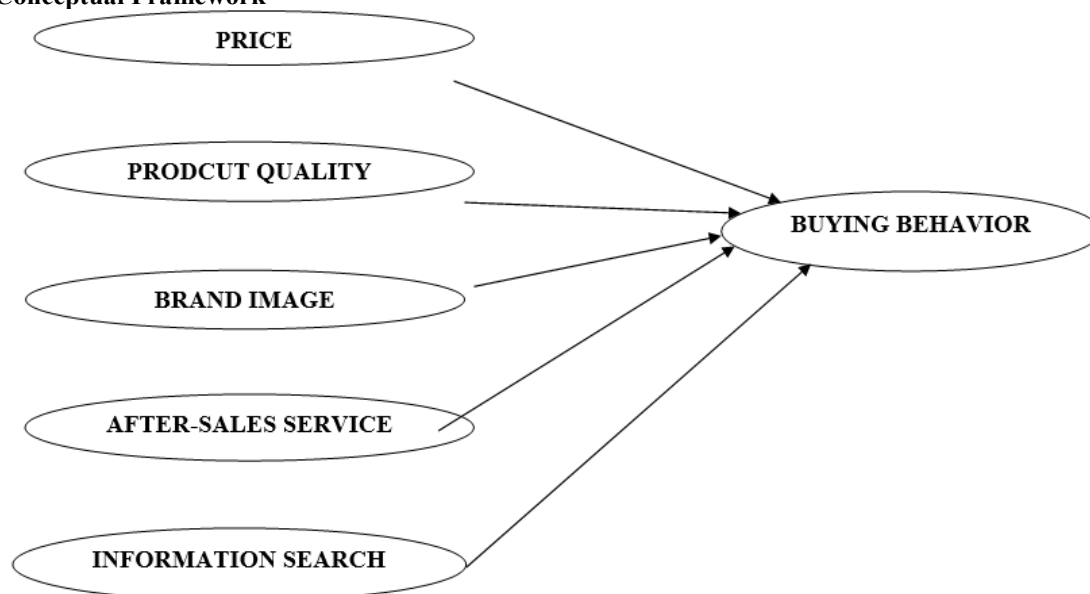
Conceptual Framework

Figure 2.3: A conceptual framework of the study

3.0. Material and Method
Ethiopia is found in the eastern part of Africa between latitudes of 3˚ and 18˚. And found in a favorable time zone for financial markets as it is situated at GMT+3:00, 8:00 Hrs. ahead of New York and 6:00 Hrs. 3.2.

3.1. Sampling, Data Collection and Analysis
The study was implemented a descriptive research design together with mixed research approach to triangulate data in order to map out the characteristics and perceptions of the respondents and provide an accurate snapshot of the surveyed market.

The target populations of the current research were locally assembled private vehicle buyers in Addis Ababa. According to Ethiopian transport authority ,The total number of all private cars (code 2) including all imported from various countries, registered and has got code by the Ethiopian Transport Authority are **107,576.** But applying probabilistic sampling techniques become challenging and to solve this problem the study used previous research samples as bench mark therefore, Liu Dongyan and Bai Xuan, in china took a sanple of 192 whereas Banerjee, Walker, Deakin & Kanafani in USA took 195, Annadurai & Sudharani and Dr. Subadra & Dr. Murguesan in India took 200 and 215 sample respectively and this research took 200 which is more than average of the sample previously took by those global researchers.

3.2. Methods of Data Analysis
Both descriptive and inferential statistical techniques were applied by using latest version of SPSS and recommendation was provided accordingly.

4.0. Data analysis and presentation
4.1. Data presentation
From the 200 questionnaires distributed only 188 (0.94%) have been collected and analyzed.
Reliability Analysis: In order to ensure the reliability of the study, 20 questionnaires were distributed randomly which is 10% of the total sample (200) and a Cronbach's alpha coefficient was computed as follow.

Table 4.1: Measurement of internal consistency—Cronbach's alpha

Dimensions	Number of Items	Cronbach's alpha (α)
1. Brand Image	6	0.941
2. Price	5	0.921
3. After-sales Service	6	0.872
4. Information Search	6	0.902
5. Perceived Quality	6	0.756

Source: survey Data 2016

As the above table 4.2 depicts, from the total 188 respondents 132 (70.2%) were males and the rest 56 (29.8%) were females. As the analysis of the study shows the number of male respondents is twice greater than female respondents. From the total respondents majority i.e. 95 out of 188 i.e. 50.5% represent the age group ranging from 25-35 years.

Table 4.2.Demographic Characteristics of Respondents

	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	132	70.2	70.2	70.2
	Female	56	29.8	29.8	100.0
	Total	188	100.0	100.0	
	Age	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Below 25	10	5.3	5.3	5.3
	25-35	95	50.5	50.5	55.9
	36-45	44	23.4	23.4	79.3
	46-55	25	13.3	13.3	92.6
	Above 55	14	7.4	7.4	100.0
	Total	188	100.0	100.0	
	Income	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Below 5000	8	4.3	4.3	4.3
	5001-10000	16	8.5	8.5	12.8
	10001-15000	31	16.5	16.5	29.3
	15000-20000	79	42.0	42.0	71.3
	Above 20000	54	28.7	28.7	100.0
	Total	188	100.0	100.0	

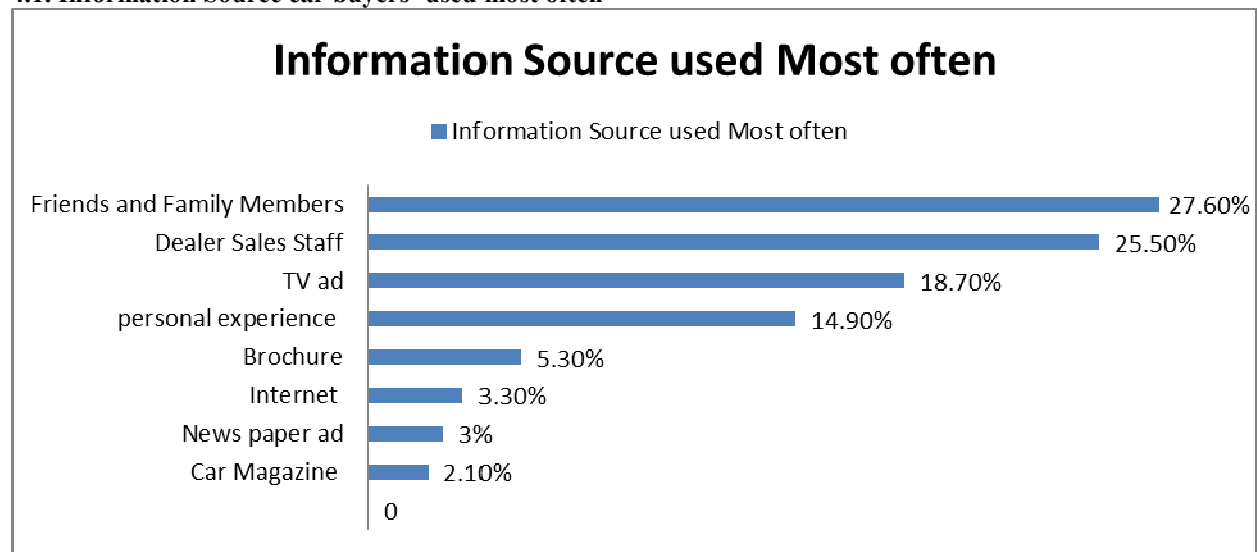**Source: Primary Data from Survey**

Consumers Vehicle Purchase Parameters: Buying a car is a weighty decision, and many factors are involved in reaching that decision. For the car buyer, it is an individual and other party's decision, reflecting the purchase priorities. Some buyers' value cost over safety, while others place an emphasis on style and comfort over economy (Capgemini, 2006).

4.3. Most Important Vehicle Purchase Parameters

Vehicle Purchase Parameters	Frequency	Percentage	Rank
1. Resale Value	52	27.7%	1
2. Purchase Price	40	21.3%	2
3. Fuel-Economy	21	11.2%	3
4. After-sales Service	20	10.6%	4
5. Brand Image	16	8.5%	5
6. Availability of Spare-parts	14	7.4%	6
7. Icon of Social Status	8	4.2%	7
8. Exterior Design	5	2.7%	8
9. Comfort and Safety	4	2.1%	9
10. Interior Design	4	2.1%	9
11. Technological Advancement	2	1.1%	10
12. Luxury	2	1.1%	10
Total	188	100%	

Sources;-survey questioners 2016

4.1. Information Source car buyers' used most often

Information Source used Most often

■ Information Source used Most often

- Friends and Family Members — 27.60%
- Dealer Sales Staff — 25.50%
- TV ad — 18.70%
- personal experience — 14.90%
- Brochure — 5.30%
- Internet — 3.30%
- News paper ad — 3%
- Car Magazine — 2.10%

Source: survey questionnaire 2016

Correlation Analysis: In order to find out the strength and the direction of relationship between the independent variables and the dependent variable, the researcher used a Pearson Correlation coefficient. To interpret the strengths of relationships between variables, the guidelines suggested by Field, (2005) were followed, mainly for their simplicity. His classification of the correlation coefficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong.

Table 4.17: Correlation between Dependent variable and Independent variables						
		Brand	**Price**	**After-sales Service**	**Information Search**	**Product Quality**	**Buying Behavior**
Brand	**Pearson Correlation**	1	.911**	.824**	.900**	.836**	.573**
	Sig. (1-tailed)		.000	.000	.000	.000	.000
	N	188	188	188	188	188	188
Price	**Pearson Correlation**	.911**	1	.869**	.942**	.854**	-.636**
	Sig. (1-tailed)	.000		.000	.000	.000	.000
	N	188	188	188	188	188	188
After-sales Service	**Pearson Correlation**	.824**	.869**	1	.883**	.841**	.679**
	Sig. (1-tailed)	.000	.000		.000	.000	.000
	N	188	188	188	188	188	188
Information Search	**Pearson Correlation**	.900**	.942**	.883**	1	.845**	.610**
	Sig. (1-tailed)	.000	.000	.000		.000	.000
	N	188	188	188	188	188	188
Product Quality	**Pearson Correlation**	.836**	.854**	.841**	.845**	1	.699**
	Sig. (1-tailed)	.000	.000	.000	.000		.000
	N	188	188	188	188	188	188
Buying Behavior	**Pearson Correlation**	.573**	-.636**	.679**	.610**	.699**	1
	Sig. (1-tailed)	.000	.000	.000	.000	.000	
	N	188	188	188	188	188	188

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	N	188	188	188	188	188	188
Buying Behavior	Pearson Correlation	.573**	-.636**	.679**	.610**	.699**	1
	Sig. (1-tailed)	.000	.000	.000	.000	.000	
	N	188	188	188	188	188	188
**. Correlation is significant at the 0.01 level (2-tailed).							
Source: survey questionnaire 2016							

As represented by the P-value (P=0.00) the correlation between Brand Image and Buying Behavior is statistically significant which is less than 0.01. Moreover, since the r value (r=0.573) is greater than 0.5, the researcher can say that the relationship between brand image and consumers buying behavior is positive and strong. There is strong negative relationship between price and consumers buying behavior of locally assembled private vehicles, as represented by the r-value (r=-0.636). Relationship between after-sales service and consumers buying behavior is strong and positive as indicated by the r-value (0.679). The relationship between consumers information search and buying behavior is strong and positive and this relationship is statistically significant since the P-value (P=0.00) is less than 0.01. Among all independent variables, Product Quality has highest strong and positive relationship (r=0.699) with consumers buying behavior of locally assembled private vehicles.

Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.729ᵃ	.531	.518	.32112

The model coefficient of determination or R square obtained indicates that 53.1% of the variance in the measurement (Consumers Buying Behavior of Locally Assembled Private Vehicles) function can be explained by Price, Brand Image, After-sales Service, Information Search, and Product Quality, while the remaining 46.9% are explained by other variables out of this model or variables which are not incorporated in this study.

**Regression Results for the Study Variables**

<div align="center">

Coefficients^a

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Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	**Std. Error**	**Beta**		
1 (Constant)	2.381	.139		17.174	.000
Brand Image	.177	.073	.323	2.440	.016*
Price	-.082	.088	-.163	-.940	.349
After-sales Service	.202	.076	.313	2.655	.009*
Information Search	.049	.063	.084	.776	.439
Product Quality	.431	.093	.795	4.655	.000*

a. **Dependent Variable: Buying Behavior**
   Survey questionnaire 2016

Among the five independent variables, multiple regression analysis revealed that Brand Image, After-sales Service and Product Quality were significant predictors of Consumers Buying Behavior of Locally Assembled Private Vehicles as represented by the p-value ($p<0.05$), while the influence of Price ($p=0.349$) and Information Search (0.439) on Buying Behavior was not significant.

Hypotheses Test: the rule of thumb for this study was used, if Sig. $< a = .05$, H0 rejected, and conversely, if Sig. $> a = .05$, H0 not reject. Hypothesis is supported when the Sig. value is smaller than 0.05; and a null hypothesis is rejected when the Sig. value is equal or larger than 0.05 (Pallant, 2010).
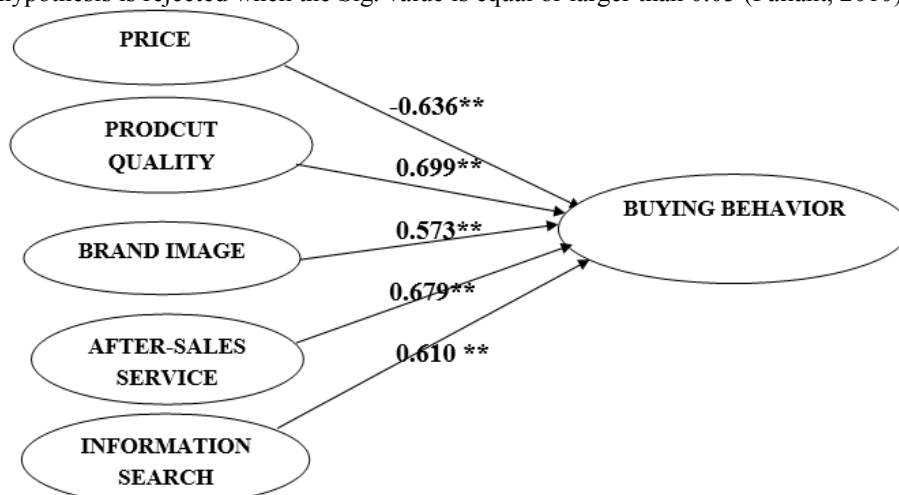
Note: ** Correlation is Significant at the 0.01 level
Figure 4.4: A Correlation Model
Source: survey questionnaire 2016

Hypothesis 1: Brand Image of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

As indicated in the regression table the p-value for Brand Image was ($p=0.016$) and the corresponding beta coefficient indicated a positive influence ($\beta=.323$). Therefore, since the p-value is less than 0.05 the researcher can support the proposed hypothesis-i.e. Brand Image of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

Hypothesis 2: A Decrease in the Price of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior.

As indicated in the regression table the p-value and the corresponding beta coefficient are $p=0.349$ and ($\beta=-.163$) respectively. The negative sign implies that as a price of Locally Assembled Private Vehicles increases consumers buying behavior decreases and the reverse is true. But the influence of a decrease of price on buying behavior was not significant as indicated by the p-value (0.349) which is greater than 0.05. Therefore, since the test doesn't support the proposed hypothesis (i.e. A Decrease in the Price of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior) was rejected.

Hypothesis 3: After sales service of Local Private Vehicle Assemblers has a significant influence on Consumers buying behavior.

The significant estimate (t=2.655, p=0.009) the corresponding beta coefficient indicate the nature of relationship was positive (β=.313). Therefore, since the test supports the proposed hypothesis (i.e. After sales service of Local Private Vehicle Assemblers has a significant influence on Consumers buying behavior) was supported.

Hypothesis 4: Information search of Locally Assembled Private Vehicle Buyers has a significance influence on buying behavior.

As indicated above in the regression table 4.20, the p-value of Information Search was (0.439) and the corresponding beta coefficient was positive (β=.084). Therefore, since the test doesn't support the proposed hypothesis (Information search of Locally Assembled Private Vehicle Buyers has a significance influence on buying behavior) was rejected. This implies the information search have no significant influence on the Behavior of Local Private Vehicle Buyers.

Hypothesis 5: Product Quality of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior. As indicated a significant estimate (t=4.655, p=0.000) and the corresponding beta coefficient indicated a positive effect (β=.795). Therefore, since the test supported the proposed hypothesis the researcher accepted Hypothesis 5, which states (Product Quality of Locally Assembled Private Vehicles has a significant influence on Consumers buying behavior).

Discussion of Findings: Livette (2007) stated that around 80 percent of the households are using the joint decisions making when they purchase their cars. According to Rigopoulos et al. (2008) Car buyers use manufacturers' sales brochures and company web sites but due to the large amount of technical information they contain their use is limited. Mayer (1969), also believed that buyers' are somewhat skeptical of the reliability of the claims made in the manufacturers' brochures, so prefer to source their own independent reviews. As the study reveals majority of consumers give more weight to resale value of a car followed by the purchase price, Fuel-economy and After-sales Service of a car. Capgemini (2006), an automobile consulting company states that the most important factors that lead consumers to purchase a particular vehicle have remained consistent in recent years: Resale value, safety, fuel economy and Price.

Studies also report that consumers are more likely to prefer, intend to purchase or use brands with images that they see as being congruent with their ideal self-concept (Mlhotra, 2004). Evan (1996) discussed a lot of consumers consider that products have a high price are of better value, particularly in that situation when they have fewer or no knowledge about the quality of product. Regarding the price of vehicle concerned 156 (82.9%) respondents reported that an increase in the price vehicles directly affect their purchase decision. On the contrary as Evan (1996) discussed a lot of consumers consider that products have a high price are of better value, particularly in that situation when they have fewer or no knowledge about the quality of product. As it is reported by the greater number of the study participants' (74.5%) price is primarily used by consumers as a criterion while purchasing locally assembled cars. as it is conveyed by Borgsteede and van Tatenhove, (2004) the purchase price is the first factor consumers take into account when purchasing a car.

5.0. Conclusion and Recommendation
5.1. Conclusion
The aim of this research study was to understand consumers buying behavior of locally assembled private vehicles in the city of Addis Ababa. The finding shows that locally assembled private vehicle buyers highly involve during the information search and the influence and involvement of other parties (Family members, and Friends) is significant for the purchase of Private vehicles. Environmental friendliness and convenience were placed as the least most important vehicle purchase parameters. Product Quality shows the highest positive correlation (r=.699, p=0.000), followed by After-sales Service (r=.679, p=0.000), Information Search (r=.610, p=0.000) and Brand Image (r=573, p=0.000). But Price had a negative and strong relationship with buying behavior (r=-.636, p=0.000). Concerning the multiple regression test result, Brand Image (β=.323, p=0.016), After-sales Service (β=.313, p=0.009) and Product Quality (β=.795, p=0.000) of locally assembled private vehicles had a significant influence on consumers buying behavior. On the other hand Price (β=-.163, p=0.349) of vehicles had a negative relationship with buying behavior and the significance level was very low.

5.2. Recommendation
Today's consumer around the world arrives at the dealer showroom well-armed with information about the vehicle they are interested in buying by using the internet as a primary research tool. A strong web presence is critical to create a more positive customers experience, and the lack of an effective site can in fact deter potential buyers. Therefore, car assemblers should design attractive and reliable websites and change the awareness level and the habit of consumers regarding the use of internet for searching about vehicles. Product quality of vehicles is the most predictor of buying behavior. Therefore, car assemblers should redesign their cars and strategies by giving more emphasis to the design, engine power, safety, comfort, fuel-efficiency, and to the performance of a car.

Environmental consciousness issues play little part in the consumer decision making process. Beyond

generating profit private vehicle assemblers and other concerned bodies should fully communicate the environmental benefit of low carbon cars and link these to cost benefits, use the media and high-profile celebrity endorsement to promote low carbon vehicles and should manufacture and promote hybrid vehicles. Car assemblers in Ethiopia all together should create an association and collaborate in every aspect to protect and develop the industry in general.

5.3. Limitation and Future Research Suggestions
From the statistical point of view the results of the study may not be generalizable to the total population. So, future researchers, with more time and budget, may take probability sampling so that each member of the population will have an equal probability of being selected. Replications and extension of the same study could be made in the broader context by increasing the sample size. Future researchers may comprised and study the influence of other variable on the buying behavior of locally assembled private vehicles.

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