

AN INVESTIGATION INTO SOUTH AFRICAN CONSUMERS' WILLINGNESS TO PURCHASE NEW CHINESE AND INDIAN MOTOR VEHICLES

J Beneke (School of Management Studies, University of Cape Town)

G Human (School of Management Studies, University of Cape Town)

J Wu (School of Management Studies, University of Cape Town)

This paper aims to understand the willingness of South African consumers to buy Chinese and Indian cars, especially in the face of an unfavourable economic outlook. To do so, purchase behaviour of low-end motor vehicle buyers was investigated at an exploratory level. Perceived quality and perceived value, as expected, were found to be pivotal factors in the car purchasing decision process. A further aim was to identify which demographic groups are more willing to buy Chinese and Indian car brands. Demographic variables such as ethnicity, gender and income group, inter alia, were found to play a significant role in influencing consumers' choice of cars. The study found that the mainstream market (particularly non-white consumers) was receptive to the notion of buying Asian cars, but that these consumers were only willing to spend between R 50 000 and R 100 000 on vehicles. Nonetheless, opportunities certainly exist for the sale of these brands within South African market.

Key phrases: Purchasing behaviour, perceptions, vehicles, Indian, Chinese, South Africa

INTRODUCTION

Sticky oil prices, high motor car prices and the unfavourable economic conditions prevailing in South Africa are currently hampering consumer confidence. As a result, consumers are choosing more fuel efficient cars, choosing cheaper alternatives, or not purchasing new vehicles at all. As of October 2009, vehicle sales were down nearly 10% year-on-year, highlighting a dramatic decline in fortunes for the industry since the country entered the much publicized recession (Els 2009). Other factors that are hindering vehicle purchases include the introduction of the National Credit Act, a large degree of consumer short-term debt, and interest rates which have only recently been lowered. Yet another hindrance to vehicle acquisition is the National Traffic Information System (e-NaTIS) that has been causing delays in the vehicle registration process (Naidu 2007).

All of the above have given Chinese and Indian car manufacturers an opportunity to penetrate the market. Against this backdrop, India's Tata and Mahindra & Mahindra, as well as China's Geely and Chery have all launched their product offerings in South Africa, heavily competing on price. Whether these low priced car brands will be successful in South Africa will depend largely on consumers' disposable income, as well as their attitudes towards these vehicles. Unfortunately, some brands (e.g. Geely) have already succumbed to lack of enthusiasm from local buyers (Cillié 2009).

This study is aimed at analysing the buying behaviour of consumers in the small to medium passenger car market in South Africa. This was achieved by testing the emphasis placed by buyers on car features, quality of build, etc. A specific focus was on understanding South African consumers' perceptions of Chinese and Indian cars, and identifying which demographic variables are more relevant in predicting demand.

LIMITATIONS

South Africa is an emerging market which is characterized by rapid social, political and economic changes. In emerging markets, consumers' purchasing power is considerably lower and attitudes towards foreign products are often complex, sometimes ambivalent and sometimes difficult to predict (Craig & Douglas 2001). This consideration was particularly prominent due to the mass-market nature of this study.

Since the research was conducted on a limited geographical area, it was difficult to make generalizations based on the research conducted. In addition, this research was only focused on the small to medium-sized new passenger car market. There was little emphasis on the luxury brands due to the fact that they do not compete in the same market segment. Furthermore, the research centred around consumers and did not deal with organizational buyers since there are significant differences in the buying processes..

LITERATURE REVIEW

Country of origin effects examine how a country's image is projected onto the features of products produced by that country (Bilkey & Nes 1982; Johansson 1989; Johansson, Douglas & Nonaka 1985). A number of studies have demonstrated that country of origin of a product affects different aspects of consumer evaluation and buying behaviour. In the motor vehicle market, consumers have significant loyalty to a specific 'country of origin' (Goldberg 1995). Evidence strongly suggests that consumers are more willing to buy products from industrialized nations as a result of country equity. Country equity is in reference to the emotional value resulting from consumers' association of a brand with a specific country (Shimp et al 1987). Country equity is responsible for associations that may add to, or subtract from, the perceived quality of a product (Pappu & Quester 2010). Consumers therefore use country of origin information as an indicator of quality. Products bearing a 'Made in Germany', or 'Made in Japan' label are generally regarded as being of high quality, due to the reputation of these countries as top class manufacturers and exporters.

Han's (1988) research shows that negative attitudes towards foreign products arise when consumers perceive products from certain countries (for example emerging markets) to be of inferior quality. However, in the case of countries with high levels of foreign trade and where no domestic brands or alternatives are available, consumers have no choice but to purchase foreign brands in that product category. Typically, such countries tend to be smaller, featuring small internal markets inadequate in size to support large-scale industries (Nijssen & Douglas 2004). Here, foreign brands do not pose a perceived threat to domestic products and related jobs. As a result, even if consumers have negative attitudes towards foreign products in general, they might evaluate foreign brands in this category favourably and hence be willing to buy them.

Country of origin also has an influence on product attitudes (Lee & Ganesh 1999), the evaluation of product attributes, and purchase intentions (Kim & Pysarchik 2000). When consumers are less familiar with the products (Han 1988) or less motivated to process product information (Hong & Wyer 1989), country of origin is more likely to be used as a surrogate variable for evaluation of the product (Ahmed & d'Astous 1994).

Although country of origin is argued to affect perceived quality, researchers have recognized the limitations of using single-cue models to carry out country of origin research (Chao 1993). It is possible that the origin of products will affect consumers' buying decisions directly and independently of product judgment (Klein, Ettenson & Morris 1998). However, Bilkey and Nes (1982) pointed out in their research that it is necessary to present other extrinsic information cues such as brand name, price and product warranty along with the country of origin cue in order to avoid overestimation of the effects of country of origin effects. Likewise, several issues have been considered in the research of Ahmed and d'Astous (1994), including consumers' involvement and familiarity with a product category, knowledge of a particular country, experience and expertise in purchase decision making and the presence of other extrinsic product information cues. We therefore hypothesise the following:

H₁: The attitude held by South African motor vehicle buyers towards foreign vehicles has a direct effect on their perceived quality of such

Quality is a crucial determinant of a new product's success and profitability (Aaker & Jacobson 1994). This important role that influences a company's competitiveness has been widely recognized throughout the world, particularly in the United States of America after the 1970s and 1980s. This followed the period whereby higher quality Japanese products captured significant shares of the market in many industries (Garvin 1988). One industry that was particularly challenged to focus on quality was the automotive industry (Keller 1989), whereas beforehand American manufacturers

had become inattentive to quality, allowing foreign manufacturers to penetrate and capture customer share in that market.

According to Zeithaml (1988), quality can be defined generally as excellence or superiority and so perceived quality can be defined as a consumer's judgment of a product's overall excellence or superiority. Many researchers have pointed out that perceived quality is fundamentally different from objective quality (Garvin 1983; Holbrook & Corfman 1985; Zeithaml 1988). Holbrook and Corfman (1985) noted that consumers do not use the term quality in the same way as marketers and researchers do, who define it conceptually. Objective quality is used to describe a product's actual technical superiority or excellence (Monroe & Krishnan 1985), which is measurable and verifiable on a predetermined standard.

Perceived value is also highly important in the marketing strategy of firms and it will continue to be in the future (Woodruff 1997). However, it is only in recent years that the concept of perceived value has received significant attention (McDougall & Levesque 2000; Patterson & Spreng 1997). One of the reasons for this is that businesses that are able to provide superior value to their customers find it easier to effectively differentiate themselves in the marketplace, allowing them to be in the fast lane to achieve sustainable competitive advantage (Grönroos 1994; Heskett et al 1994).

Perceived value is defined by Monroe as the ratio between perceived benefits and perceived costs (Monroe 1991). Perceived benefits are comprised of physical and service attributes and the technical support provided for a particular product. It also includes indicators of perceived quality such as the purchase price. Perceived sacrifice is all of the costs that will be incurred when buying a product. This consists of the monetary price paid for the product, transportation or delivery costs, installation costs, as well as repairs and maintenance costs. Lovelock & Wirtz (2007) also found that price is one of the costs perceived by customers, and contributes to the value assessment of the product. Yet, perceived costs also includes non-monetary costs such as the sacrifices made to acquire the product, cost of searching, the time taken to obtain the product and the risk of the product being defective (Zeithaml 1988). In most cases, buyers use reference prices (Monroe 1991) when they are assessing the appeal of an offering. Monroe (1991) also advocates that customers place far more emphasis on a reduction in perceived costs than an increase in perceived benefits. This greater concern for perceived sacrifices is probably due to the fact that most buyers have a financial limit that cannot be exceeded. This is further supported from research by Dodds, Monroe and Grewal (1991), when they found that a negative relationship between higher prices and perceived value existed. Tam's (2004) investigation revealed that customers may in

fact be satisfied with the product but their perceived value can be lowered due to the high prices of obtaining the product. The research shows that when the customers learn that another supplier is offering a better value product, their likelihood to switch is elevated.

There has been much published on the discussion of the relationship between quality and perceived value (Baker et al 2002; Cronin, Brady & Hult 2000; Grewal, Monroe & Krishnan 1998; Zeithaml 1988). However, the research reveals that quality is not embedded in perceived value, but it is a construct that directly affects it and is considered to be a strong predictor of perceived value. Dodds, Monroe and Grewal (1991) also found that perceived quality had a significant effect on perceived value. Tam (2004), likewise, found that perceived service quality has a positive influence on perceived value. Furthermore, perceived value can be improved by adding quality to the service and product (Lovelock & Wirtz, 2007). This study proposes that:

H₂: Perceived Quality has a direct, positive effect on Perceived Value in the South African motor vehicle industry.

There have been many surveys that contain questions regarding purchase intentions of various goods, for instance new consumables, rebranded products, or motor vehicles. The time frame for these purchase intentions vary from a number of days to years (Morrison 1979).

Certain constructs play an important role in influencing purchase intentions, one of which is perceived value (Cronin, Brady & Hult 2000). Monroe (1990) regarded perceived value as an antecedent to an individual's purchase intention. Several studies have also revealed that high levels of perceived value result in both future purchase intentions and behaviour (Baker et al 2002; Grewal, Monroe & Krishnan 1998). Other literature has also suggested the importance of perceived value in relation to purchase intention (Zeithaml 1988). Rust and Oliver (1994) regarded perceived value as a critical factor in the consumer decision making process. We therefore hypothesise that:

H₃: Perceived Value has a direct, positive effect on Purchase Intentions in the South African motor vehicle industry.

According to Morrison (1979), it seems purchase intention data is often made use of, but there has been little work done on analyzing the accuracy of such data - whether it be on the individual or aggregate level. Purchase intention is generally used to predict sales over a certain time for existing products among various segments of customers (Young et al 1998). One usually finds that these purchase intention surveys are often self-reported by consumers. In cases of poor correspondence

between the self-reported purchase intentions and actual purchases, the data obtained is likely to be biased (Young et al 1998).

There is much evidence to suggest that purchase intentions often provide biased measures of actual behaviour, whereby sometimes it underestimates actual purchases and it sometimes overestimates them. This means some consumers who stated they would buy, did not; and some consumers who stated they would not buy, actually did. Yet, in Morrison's study (1979), he discovered that purchase intentions data for motor vehicles was more stable over time than purchase intention data for general appliances. Thus Morrison believed that high cost, high involvement products were more stable than low cost, low involvement goods in terms of purchase probability versus purchase intentions data.

Expected income of families, future needs and household expenses are significant factors which influence the demand for new cars (De Janosi 1959). Research by Carroll (1994) suggests that for a given level of wealth and income, consumers with greater income uncertainty have lower current consumption. According to De Janosi (1959), anticipated increases in earning rates induce the purchase of new cars.

Graham and Glaister (2002) found in their study that raising fuel prices is more likely to lead to a reduction in the quantity of fuel used in the long run. Blomqvist and Haessel (1978) also found in their research that an increase in petrol prices lowers the total demand for cars as families reduce their total transportation demand. Goodwin et al (2004) point to evidence suggesting that there is evidence of strong cross-elasticity of small car demand with respect to the price of petrol - an increased petrol price leads to a smaller reduction in small car demand relative to large car demand.

Expectation of increases or decreases in car prices influence consumers' purchase intentions (Sudhir 2001; De Janosi 1959). Research has shown that an increase in the price of new large cars tends to cause a fairly substantial shift in demand towards new small cars. Also, an increase in the price of new small cars shifts demand towards old cars (Blomqvist & Haessel 1978). We therefore hypothesise that:

H₄: *Expectations concerning movements in household income and expenditure on transport has an influence on the choice of vehicle.*

Fennel et al (2003) studied the effectiveness of demographic variables in explaining brand and product use. They found that demographical variables are in fact significant predictors of product use.

Johnson and Chang (2000) established that because cultural differences exist amongst ethnicities, consumption styles are also different. Schmitt's study (1997) found that Chinese students use products to show their belonging to a group, whereas American students use products to show their uniqueness. For example, when Chinese students were told they were unique, they were more likely to pick the standard products; while American students were more likely to pick the special products when told they are just like the others because, in their minds, being just like everybody else is not desirable. In another study, Sexton (1972) compared Africans to Caucasians of the same income group and found that Africans spend more on socially visible items, such as clothing and personal care items. This was confirmed in South Africa by McCarthy Motor Holdings Chairman, Brand Pretorius. He maintains that the emerging black middle class are now purchasing premium cars to symbolise their new lifestyle and that they have 'made it' (Dlamini-Kabini 2007).

In addition to ethnicity, household size and composition also have an effect on product choice. In Lin's study (1995), results showed that food safety is more important to the meal planner of families who have at-risk household members (elderly, young children or pregnant woman). Kalyanam and Putler (1997) also found that household size influences the size of a product bought. For example, a household with children is more likely to buy a larger size of a brand in a category. In Choo and Mokhtarian's study (2004) on the type of vehicles people drive, they found that the size of the car driven increased with the number of people in the household. Households with five or more people tended to drive minivans or vans, whereas single-person households were more likely to drive small or compact cars. Additionally, it was found that when there are two or more people under the age of 19, the car driven is generally a minivan or van. For households with no persons under the age of 19, ownership of small, large and sports cars dominated.

In Rodolfo's study (1997), he found that black, female, more educated and non-working meal planners perceive nutrition as more important in food shopping than others. In the study by Choo and Mokhtarian (2004), women tended to drive minivan and vans, because they were responsible for carrying groceries and transporting children and thus needed a vehicle with sufficient boot space. In contrast, men tended to drive large and luxury cars that were more powerful. This was attributed to their need to feel a higher level of status and a higher degree of control.

With regards to the importance of car features, the Capgemini study (2007) found that older consumers generally put more emphasis on reliability and safety needs in car buying than younger consumers. On the other hand, young consumers tend to put more importance on the ability to find information on the Internet. Choo and

Mokhtarian (2004) also found that age is negatively associated with driving small cars, sports cars and Sports Utility Vehicles (SUV's). People over the age of 65 are positively related to the purchase of large and luxury cars due to the desire for increased comfort and safety. People between the ages 41 and 64 are more likely to own luxury cars or minivans. They are usually more family oriented and economically stable, and hence would prefer more practical and expensive cars. Respondents below the age of 40 drive small, sports cars or SUVs.

Income and budgetary constraints are also said to be influencers in one's product purchase. Peters (1970) introduced how relative occupational class income affects buying behaviour of consumers. Relative occupational class income is the relationship of a family's total income to the median income of other families in the same occupational class. Peters (1970) claims that the average income class group owns more economy, intermediate-size and compact cars as opposed to the higher income class group who owns more medium to large sized cars. Furthermore, Peters (1970) showed that lower income families are more likely to own compact and intermediate-sized new cars. Sudhir's (2001) research, similarly, found that a higher income consumer is more likely to buy a more expensive car model than a low income consumer.

Thus, it appears that the demographic characteristics and disposable income of consumers have an effect on their choice of car. The following is therefore hypothesised:

H₅: In South Africa, car buying behavior is affected by the customer's demographic profile

METHODOLOGY

This exploratory research was undertaken by initially compiling a literature review and then designing a questionnaire to test the hypotheses empirically. The questionnaire was designed using the Select Survey ASP software. The appendix includes items which were used in the questionnaire to measure relevant constructs. Questionnaires were sent out to consumers via e-mail, as well as via an online social network. Face-to-face distribution was also adopted and this approach was employed at various shopping malls and Chinese and Indian car dealerships in the Western Cape and Kwa-Zulu Natal. This research used a non-probability quota-sampling technique, with the population being South African consumers who own cars or at least have a learner's or driver's license. The focus of the sample was towards the youth and people of middle to lower social class. A total of 473 valid responses were collected during July and August 2008.

The responses were screened for validity of the responses, especially in terms of eligibility of respondents and omissions of responses. Missing data and “don't know” responses were replaced by the mean. Uncertainty associated with computing mean values in sample data was estimated based on a confidence level of 90%. Univariate descriptive statistics, such as pie charts, frequency tables and bar graphs, were then generated to provide a visual representation of the results. After that, multivariate statistical techniques were executed using Statistica.

Before proceeding with testing relationships, item reliability analysis was used to test for reliability of the scale items. A Cronbach alpha above 0.6 was accepted for this study since emerging market respondents may experience difficulty in understanding unfamiliar concepts. The validity of constructs was also given attention.

EMPIRICAL RESULTS & INTERPRETATION

The construct “Perceived quality” (reduced from that offered by Sweeney & Soutar, 2001) had a high Cronbach alpha of 0.809 and was hence deemed very reliable. The factor analysis also showed that the construct was valid, since it measured 72.5% of the variation.

In the constructs “Attitude towards Foreign goods” and “Expectations”, the scale items for both constructs are adequately (although not strongly) correlated – exhibiting Cronbach Alpha's lower than the generally agreed 0.7 cut-off. The factor analysis revealed that the constructs are in fact valid (59.7% of the variation was explained in “Attitude towards Foreign goods” and 66.4% in “Expectations”). Since questionnaire responses are not always highly reliable in emerging markets such as South Africa, these scale items were accepted for the purposes of this research. The responses showed a positively skewed distribution, meaning that that respondents generally expressed agreement with the statements included in the questionnaire.

Multiple linear regression was used to test the relationships set out in the hypotheses. Table 1, below, provides the output from the statistical analysis conducted.

Table 1: Statistical Significance of Relationships

	Standard Error	T-Stat	Prob. Level
(1) Attitudes of Foreign Goods → Perceived Quality	0.071	13.962	0.000
(2) Perceived Quality → Perceived Value	0.073	7.774	0.000
(3) Perceived Value → Purchase Intention	0.186	7.763	0.000
(4) Expectations → Car Choice	0.083	0.807	0.420
(5) Consumer Profile → Car Choice	0.081	11.503	0.000

Whilst hypotheses one, two, three and five were accepted for the purposes of this study, the results show that expectations do not necessarily affect the choice of car, as this relationship was not found to be significant at either the 5% or even 10% threshold. Thus hypothesis four must be rejected. It is surmised that as consumers typically buy such assets on credit over a hire purchase agreement lasting five years, changes in the household's financial situation today may therefore only have a minor impact on the medium to long term planning horizon.

Awareness of Chinese and Indian cars

While a majority of the respondents have seen Chinese and Indian cars in South African dealerships, the level of awareness of such brands is not very high except for the specific brands Tata and Chery. This may be due to the fact that Chinese and Indian cars have only been available in South Africa for a limited period of time. Furthermore, this indicates very minimal media exposure to these brands. A high level of willingness to test drive Chinese and Indian cars provides a ray of hope, suggesting that there is indeed a potential market in South Africa for Chinese and Indian brands. There may, however, be bias in terms of consumers' view of these cars as certain respondents became confused, being unable to distinguish between Chinese and Japanese cars. This could actually work in favour of Chinese brands. The majority of those who stated they were at least quite familiar with Chinese cars were able to mention some Chinese brands.

Attitudes and Perceived Quality

A significant portion of respondents exhibited positive attitudes towards Chinese and Indian brands. Respondents perceive that Chinese and Indian cars have advanced technology and features, as well as good workmanship. However, the respondents reveal different perspectives towards Chinese and Indian branded cars, with Chinese cars being viewed in a better light than their Indian counterparts.

Importance of car features

Safety was claimed by most consumers to be of the utmost importance when buying a new small vehicle. This is likely to be the case as vehicles are high involvement products and therefore carry a higher degree of personal risk. A significant portion of respondents were focused on the initial price tag of the vehicle, followed by the cost of maintenance and performance of the car. In general, respondents were unwilling to buy a car that was perceived as dangerous, but thereafter price was deemed to be a crucial factor in the decision process.

A reasonable price for a new small car

The findings show that the respondents are prepared to pay between R50 001 and R100 000 for a new small car. There is only a small portion of respondents who are willing to pay more than R150 000 or less than R30 000 for purchasing a new small car. This indicates that consumers are realistic in their views apropos pricing expectations of new small cars and that they are aware of minimum price thresholds. This may be due to the notion that very cheap cars are potentially dangerous. In terms of affordability, respondents generally perceive Chinese or Indian cars to be relatively easily affordable. However, there is a risk of response bias as some respondents may try to present themselves as being more affluent than they really are.

Affordability of Chinese and Indian cars

Given their current situation, the majority of respondents indicated that they were more likely to purchase smaller cars or entry level cars. This result may be attributed to the fact that the sample frame of this study consisted of lower income groups. Due to the fact that these smaller cars are much cheaper to buy and maintain it is unsurprising that less affluent groups were receptive to buying cars in this range, whereas it is reasonable to assume that higher income groups are more likely to purchase SUV's and luxury sedans. However, it is also important to note that the lower one's income is, the lower the likelihood to purchase any vehicle.

Propensity to Purchasing Chinese and Indian cars

The demographics of the potential buyers of new small Chinese or Indian passenger vehicle vary. Although gender, household size and age are relatively evenly distributed, Indian, Colored and African consumers appear to show more enthusiasm with regards to purchasing Chinese and Indian brand cars than the other ethnic groups do. This may be due to the fact that large parts of the African and Coloured population groups are less affluent, thereby matching the pre-defined target market of Chinese and Indian car brands. It was surmised that Indians would display an affinity towards the Tata due to patriotism for their mother country. This was confirmed in the data analysis - the brand choice percentage of Indians is higher for Tata than the Chinese car brands.

Another segment of this market can be classified as the middle to lower working class whose earnings are between R5001 and R10 000 per month. Comparing the brand choice percentage of lower and middle income earners, the middle income earners show a higher willingness to buy Chinese and Indian car brands. This may be due to the fact that respondents of lower income groupings have limited access to information and may not be as knowledgeable about new entrants. Furthermore,

some of these consumers may be temporarily (or otherwise) restricted to public transport.

Scrutinising personal attributes, it was found that male respondents were more willing to buy Chinese and Indian car brands. This could be due to male respondents being less risk averse or that they are more aware of new car entrants in the industry and have more information at hand. A significant portion of interest from individuals looking to buy a new small car came from the student (17 – 25 years of age) subset in the sample. These consumers are currently not in full time employment, earning less than R5000 per month. However, rather disappointingly, further analysis revealed that students appear to have a poor acceptances of Chinese and Indian cars. This could be due to the fact that students or younger people view cars as an aspiration purchase and thus do not consider cheap Asian brands in their evoked set. For senior citizens (above 66 years of age), such brands were also seen to be undesirable. This may be due to the fact that older people have higher brand loyalty and thus do not consider unfamiliar brands. On the other hand, respondents in the middle to end of their careers (ages 36 to 65) exhibited higher willingness to purchase Chinese and Indian car brands.

Another group of consumers who have shown interest in Chinese and Indian cars are small business owners who are looking for a cheap and easy-to-run vehicle for their deliveries. These above mentioned groups are most likely to constitute the core target market of such manufacturers.

MANAGERIAL IMPLICATIONS

Extensive advertising campaigns should be implemented to increase awareness of Chinese and Indian cars amongst South African consumers. The campaign should include promotions in areas that the target market frequent, such as shopping centres, university campuses, convention centres and trade shows. The selection of these venues can be determined through a feasibility analysis. Traditional media advertising may be required to raise consumer awareness. Despite the high costs, it would appear that Chery and Tata have been quite successful in this aspect. Apart from improved marketing endeavours, Chinese and Indian car companies need to ensure that their cars are competitive in safety features and the cost of purchase and servicing the vehicle. The companies can then accentuate these aspects in their marketing campaigns, which would serve to increase their perceived quality relative to the capital outlay on consumers' behalves.

Due to pricing being an important competitive advantage for Chinese and Indian car brands, it is advisable to maintain their low pricing strategy. This is because raising

prices to the levels established by renowned competitor brands in the short term will intensify the competition and erode the competitive advantage gained. Hence, it will become incredibly difficult to compete with companies who have built brand equity over decades of engagement with South African consumers. Chinese and Indian car brands should thus pursue a penetration strategy to gain a foothold in the market in the introductory stages of their brands, even if this means accepting lower margins than those achieved by competitors. Once their brand equity is developed, a premium pricing strategy may be considered. It was found that people of African, Indian and Coloured ethnicity, lower and middle income earners, as well as consumers of ages 36 to 65 are more willing to buy Chinese and Indian cars. Thus it is important for Chinese and Indian car companies to target these consumer segments in their marketing campaigns.

It should however be noted that this research cannot provide definitive answers to the challenges faced by the manufacturers of Indian and Chinese motor cars. This is due to limitations in the study such as budgetary constraints, limited number of responses, the sampling frame being geographically limited, etc. Thus the results of this study cannot be guaranteed to be representative of the overall South African population. Therefore further research must be undertaken to gain a more thorough understanding of the market place that Chinese and Indian car manufacturers wish to penetrate.

AREAS OF FURTHER RESEARCH

There are a number of related issues which have not been covered in this study. Further research can be conducted in order to gain a deeper understanding of the situation 'on the ground'. Firstly, the issue of personality was not included in the research since one's personality is subjective and difficult to measure. Hence, this was deemed to be beyond the scope of the research. However, since one's personality can affect the type of car, and brand, to which the individual is prone to buying, this consideration should be earmarked for further research. Moreover, the different effects that culture and social class play in a consumer's buying decision making process of a vehicle should be researched. Secondly, this study grouped Chinese and Indian cars together in a single survey. This may subconsciously influence respondents to think that cars from these countries are similar. However, consumers did have differing views of Indian and Chinese cars. Best practice would be to test these two different country groupings independently. Thirdly, country of origin effect was explored in this study, but the analysis can indeed be taken further. There may be a spill over effect whereby Japanese cars have a halo effect on South Korean and Chinese cars, for example. This could be investigated more thoroughly.

BIBLIOGRAPHY

- AAKER D.A. & JACOBSON R.** 1994. The Financial Information Content of Perceived Quality. *Journal of Marketing Research*, 31(May):191-201.
- AHMED S.A & D'ASTOUS A.** 1994. Comparison of country-of origin effects on household and organizational buyers' product perceptions. *European Journal of Marketing*, 29(3):35-51.
- BAKER J.A., PARASURAMAN D., GREWAL, D. & VOSS G.B.** 2002. The Influence of Multiple Store Environment Cues on Perceived Merchandise Value and Patronage Intentions. *Journal of Marketing*, 66(April):120-41.
- BILKEY W.J. & NES E.** 1982. Country-of-Origin Effects on Product Evaluations. *Journal of International Business Studies*, 13:89-99.
- BLOMQUIST A.G. & HAESSEL W.** 1978. Small cars, large cars and the price of gasoline. *The Canadian Journal of Economics*, 11(3):470-489.
- CAPEGEMINI.** 2007. Responding to Changing Consumer Trends and Buying Behaviour. Online. Cars Online 07/08. Retrieved from: <http://www.capgemini.com/industries/automotive/carsonline/> Retrieved 23 March 2008.
- CARROLL C.D.** 1994. How Does Future Income Affect Current Consumption? *The Quarterly Journal of Economics*, 109(1):111-147.
- CHAO P.** 1993. Partitioning country-of-origin effects: consumer evaluations of a hybrid product. *Journal of International Business Studies*, 24:291-306.
- CHOO S. & MOKHTARIAN P.L.** 2004. What type of vehicle do people drive? The role of attitude and lifestyle in influencing vehicle type choice. *Transportation Research, Part A* 38:201-222.
- CILLIÉ J.** 2009. 'Easier' car loans hurt industry. Available from [http://www.fin24.com/articles/default/display_article.aspx?ArticleId=1518-1786_2467072]. Dated 10 February 2009.
- CRAIG C.S. & DOUGLAS S.P.** 2001. Conducting international marketing research in the twenty-first century. *International Marketing Review*, 18(1):80-90.
- CRONIN J.J., BRADY M.K. & HULT G.T.M.** 2000. Assessing the Effects of Quality, Value and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments. *Journal of Retailing*, 76(2):193-218.
- DE JANOSI P.E.** 1959. Factors Influencing the Demand for New Automobiles. *Journal of Marketing*, 23(4): 412-418.
- DLAMINI-KABINI.** 2007. Blacks snap up fancy cars despite high interest rates. Available from: [http://www.news24.com/City_Press/Motoring/0,186-2051_2218893,00.html] Retrieved: 23 September 2008.
- DODDS W., MONROE K. & GREWAL D.** 1991. The Effects of Price, Brand and Store Information on Buyers'Product Evaluations. *Journal of Marketing Research*, 28:307-319.
- ELS F.** 2009. World Cup fillip for car sales. Available from [http://www.fin24.com/articles/default/display_article.aspx?ArticleId=1518-25_2559785]. Dated 3 November 2009.
- GARVIN D.A.** 1988. *Managing Quality*. New York: The Free Press.
- GOLDBERG P.** 1995. Product Differentiation and Oligopoly in International Markets: The Case of the U.S. Automobile Industry. *Econometrica*, 63(4):891-951
- GOODWIN P., DARGAY J. & HANLY M.** 2004. Elasticities of road traffic and fuel consumption with respect to price and Income: A Review. *Transport Reviews*, 24(3):275-292,

- GRAHAM D.J. & GLAISTER S.** 2002. The Demand for Automobile Fuel. *Journal of Transport Economics and Policy*, 36(1):1-26.
- GREWAL D., MONROE K.B. & KRISHNAN R.** 1998. The Effects of Price comparison Advertising on Buyers' Perceptions of Acquisition Value, Transaction Value and Behavioral Intentions. *Journal of Marketing*, 62(April): 46-59.
- GRÖNROOS C.** 1994. From marketing mix to relationship marketing. Toward a paradigm shift in marketing. *Management Decision*, 32(2):4-32.
- HAN C.M.** 1988. The role of consumer patriotism in the choice of domestic versus foreign products. *Journal of Advertising Research*, 28:25-31.
- HESKETT J.L., JONES T.O., LOVEMAN G.W., SASSER W.E. & SCHLESINGER L.A.** 1994. Putting the service-profit chain to work. *Harvard Business Review*, March-April:164-74.
- HOLBROOK M.B. & CORFMAN K.P.** 1985. Quality and Value in the Consumption Experience: Phaedrus Rides Again, in *Perceived Quality*, J. Jacoby and J. Olson, eds. Lexington, MA: Lexington Books:31-57.
- HONG S. & WYER R.** 1989. Effects of Country-of-Origin and Product-Attribute Information on Product Evaluation. *The Journal of Consumer Research*, 16(2):175-187.
- HOWARD J. & SHETH J.** 1969. *The theory of Buyer Behavior*. New York: John Wiley & Sons, Inc
- JOHANSSON J.K.** 1989. Determinants and Effects of the use of "Made in" Labels. *International Marketing Review*, 6:47-58.
- JOHANSSON J., DOUGLAS S.P. & NONAKA I.** 1985. A cross-national analysis of country of origin effects on product evaluations. *Journal of Marketing Research*, 22:388-396.
- JOHNSON W.C. & CHANG L.** 2000. A Comparison of Car Buying Behavior between American and Chinese people living in North America: An exploration study. Online. Retrieved from: [<http://www.sbaer.uca.edu/research/swma/2000/17.pdf>] Retrieved 02 March 2008.
- KALYANAM K. & PUTLER D.S.** 1997. Incorporating Demographic Variables in Brand Choice Models: An Indivisible Alternatives Framework. *Marketing Science*, 16(2):166-181.
- KELLER M.** 1989. *Rude Awakening: The Rise, Fall and Struggle for Recovery of General Motors*. Morrow: New York.
- KIM S. & PYSARCHIK D.T.** 2000. Predicting purchase intentions for uni-national and bi-national products. *International Journal of Retail & Distribution Management*, 28(6):280-91.
- KLEIN J.G., ETTENSON R. & MORRIS M.D.** 1998. The Animosity Model of Foreign Product Purchase: An Empirical Test in the People's Republic of China. *Journal of Marketing*, 62(1):89-100.
- LEE D. & GANESH G.** 1999. Effects of partitioned country image in the context of brand image and familiarity: A categorization theory perspective. *International Marketing Review*, 16(1).
- LIN C.J.** 1995. Demographic and Socioeconomic Influences on the Importance of Food safety in Food Shopping. *Agriculture and Resource Economics Review*, 24(2):190-198.
- LOVELOCK C. & WIRTZ, J.** 2007. *Services Marketing: People, Technology, Strategy*. New Jersey: Prentice-Hall.
- MCDUGALL G. & LEVESQUE T.** 2000. Customer Satisfaction with Services: Putting Perceived Value into the Equation. *Journal of Services Marketing*, 14(5).
- MONROE K.** 1990. *Pricing: Making Profitable Decisions*, 2nd edition. New York: McGraw Hill Book Company.
- MONROE K.B.** 1991. *Pricing – Making Profitable Decisions*. McGraw-Hill: New York, NY.
-

- MONROE K. & KRISHNAN, R.** 1985. The Effect of Price on Subjective Product Evaluations. In: Jacoby, J. and Olson, J., Editors, 1985. *Perceived Quality*, Lexington Books, Lexington, MA, pp. 209–232.
- MORRISON D.** 1979. Purchase Intentions and Purchase Behaviour. *Journal of Marketing*, 43(2):65-74.
- NAIDU E.** 2007. e-Natis foul-up is costing motor industry millions. Available from: [http://www.sundayindependent.co.za/index.php?fArticleId=3840627]. Retrieved 11 March 2008.
- NIJSSEN E.J. & DOUGLAS S.P.** 2004. Examining the animosity model in a country with a high level of foreign trade. *International Journal of Research in Marketing*, 21:23-38.
- PAPPU R. & QUESTER P.** 2010. Country equity: Conceptualization and empirical evidence. Article in press.
- PATTERSON P. & SPRENG R.** 1997. Modelling the Relationship Between Perceived Value, Satisfaction and Repurchase Intention in a Business-to-Business, Service Context: An Empirical Examination. *International Journal of Service Industry Management*, 8(5).
- PETERS W.H.** 1970. Relative Occupational Class Income: A Significant Variable in the Marketing of Automobiles. *Journal of Marketing*, 34(2):74-77.
- RODOLFO M.N.** 1997. Impact of Sociodemographic Factors on Perceived Importance of Nutrition in Food Shopping. *Journal of Consumer Affairs*, 31(1):1-9.
- RUST R.T. & OLIVER R.L.** 1994. *Service Quality: New Directions in Theory and Practice*. Thousand Oaks, California: Sage Publications.
- SCHMITT B.** 1997. Who is the Chinese Consumer? *European Management Journal*, 15(2):191-194.
- SEXTON D.E.** 1972. Black Buyer Behaviour. *The Journal of Marketing*, 36(4):36-39.
- SHIMP T. & SHARMA S.** 1987. Consumer Ethnocentrism: Construction and Validation of the CETSCALE. *Journal of Marketing Research*, 24(3), 280-289.
- SUDHIR K.** 2001. Competitive Pricing Behavior in the Auto Market: A Structural Analysis. *Marketing Science*, 20(1):42-60.
- SWEENEY J. & SOUTAR G.** 2001. Consumer Perceived Value: The Development of a Multiple Item Scale. *Journal of Retailing*, 77(2001):203-220.
- TAM J.** 2004. Customer Satisfaction, Service Quality and Perceived Value: An Integrative Model. *Journal of Marketing Management*, 20:897-917.
- WARSHAW P.R.** 1980. Predicting Purchase and Other Behaviors from General and Contextually Specific Intentions. *Journal of Marketing Research*, 17(1):26-33.
- WOODRUFF R.B.** 1997. Customer Value: The Next Source for Competitive Advantage. *Journal of the Academy of Marketing Science*, 25(2):139-153.
- YOUNG M., DESARBO W. & MORWITZ V.** 1998. The Stochastic Model of Purchase Intentions and Behaviour. *Management Science*, 44(February):188-202.
- ZEITHAML V.** 1988. Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence. *Journal of Marketing*, 52(3):2-22.

APPENDIX

Examples of scale items included to measure the various constructs	
Attitude towards foreign goods	<ul style="list-style-type: none">• I view Chinese or Indian brand cars positively.• I don't like the idea of owning a car that has been manufactured in China or India.
Perceived Quality	<ul style="list-style-type: none">• Chinese or Indian made cars are carefully produced and have fine workmanship.• Chinese or Indian cars are very technologically advanced with the latest features.• Chinese or Indian cars are generally quite reliable and last their expected life span.
Perceived Value	<ul style="list-style-type: none">• Chinese or Indian cars seem to be reasonably priced.• Chinese or Indian cars appear to be economical
Expectations	<ul style="list-style-type: none">• An expected increase in large car prices would lead me to shift away from large cars to small cars.• An expected increase in petrol price would affect my intention to purchase a new car.• An expected increase in petrol price would affect my choice of car.