Prevailling preferences of brands of care among young adults.

Ayesha kalsoom
MBA-2005
NIMS

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## Executive Summary

The Pakistani automobile industry is of a great importance as the past couple of years have been a turning point in the Pakistani automobile sector. In 1999 - 2000 it suffered negative growth of a drastic 24 per cent owing to tax demand, in the years to follow it has developed to an extent that in 2004-2005 consumer demand has surpassed the available production capacities.

This research has been done to study the automobile industry of Pakistan, especially in the context of the choice of youngsters for different brands. The attitude youngsters have is normally different from what people of other ages have. They generally are believed to be trendier and more image conscious. They are very much concerned about what they wear and what they own. Car is among one of the possessions that is used publicly, so its very much important that it goes with the personality and other traits of the individual who possesses it.

Car is a high involvement product and not everyone can afford to have one, or have exactly of his own choice. Thus the choice is determined by the affordability and other personal preferences of the individual. Car manufacturing industry has seen rapid changes in the last few years. The competition has increased manifolds and the choices consumers have thus are also much more. Previously the market was dominated by the brands like Toyota and Suzuki, but new brands like Chevrolet and Hyundai are taking up the market share from Suzuki.

Consumers also are now more aware of the technical features. They now-a-days demand much more than just a generic transportation machine. Now the era has changed where the fast expanding world market calls for maximum effort for quality and efficiency.

To sum it up automobile industry can ascertain sustained growth as there is a growing demand from local consumers coupled with a growing economy and consumption as well as a potential to export in foreign markets. If developed its benefits would easily percolate to the lowest strata as its world's largest employment generating sector. The future of this 'Industry of Industries' can be quite promising for the overall economy provided that there is political stability, a balance between production levels of vendors

and assemblers, continuity of governmental assistance in financing investment and innovation and rationalization of taxation.

# Table of Contents

# List of Tables and Figures

## Tables

## Figures

# 1 Introduction

## 1.1 Introduction to Automobile Industry of Pakistan

*The car market is booming! One look at the number of new vehicles flooding the roads from Karachi to the Khyber bears witness to this phenomenon. Added to the vehicles manufactured locally are the new imports made competitive by the revised duties in the current budget.[1]*

Of the engineering sector, the automobile industry is quite rightly termed as the mother of all industries. It incorporates almost every facet of engineering, be it electrical, technical or mechanical.[2]

For the past couple of years there has been a turning point in the Pakistani automobile sector on the whole. Where in 1999 - 2000 it suffered negative growth of a drastic 24 percent owing to tax demand, in the years to follow it has developed to an extent that in 2004-2005 consumer demand has surpassed the available production capacities.[3]

At present Pakistan's automobile industry is mostly dominated by foreign assemblers. It dates back to 1953 when the US General Motors set up its first plant. In 60s during Ayub Khan regime General Motors became Gandhara Industries and expanded assembly business to other makes of British and US origins namely, Vauxhall, Ford Perfect, Ford Cortina, and Dodge and Dart cars. Indigenization process of auto industry began in 70s during ZA Bhutto government when public sector corporation, took up localization of Bedford trucks and buses. Although this indigenization process did help the growth of domestic automobile industry in some ways yet on a larger canvass it scared away many willing investors from the country thereby doing more harm than good. The private sector gained serious momentum in the field of automobile manufacturing in the era of 90s. Thus things really took off in the 1980s and 1990s when the Korean & Japanese giants moved in.

Pak Suzuki was the first, and is still the market leader. Apart from Pak Suzuki industry constitutes of several other joint venture companies, some domestic firms and leading automobile manufacturers from Japan and South Korea namely Toyota, Nissan, Mazda, Honda, Yamaha and Kia.

According to the Economic Survey of Pakistan the automobile group has contributed to the overall growth by an impressive 30.1 per cent. However, ample amount of potential

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[1] http://www.nation.com.pk/daily/sep-2005/24/columns1.php
[2] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm
[3] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

still lies unutilized as there exists a huge supply demand gap in the local consumer market. [4]

As stated by an official in Gandhara Nissan at present the automobile production level is 150,000 per annum in all and for 2010 the production levels estimated are no less than 500,000 per annum. In about four to five years technology would be fully incorporated in the infrastructure of Pakistan and this would lead to availability of locally assembled vehicles at lower reasonable prices. However, government should assure that assemblers do invest in and maintain a balance between demand and supply and do not exploit the consumers. [5]

The auto-parts manufacturing industry in Pakistan has over the years gone through a process of transition so as to meet the needs of upcoming local assemblers as well as to compete in the international market. Although a few of the engine and body parts are locally manufactured yet there are many that have to be imported for original engine manufacturing as well as for replacement of auto-parts.[6]

Pakistan's automobile sector is better off than many other Asian neighbors including Sri Lanka, Nepal, Bhutan and Bangladesh. It's high time that local manufacturers and assemblers should penetrate into the world market. Signing free trade agreements with these countries is surely beneficial for the local automobile industry. However, franchises cannot export so policies should be formulated and strategies designed to enhance infrastructural development and promote innovation by local investors by offering duty free capital investment as well as ample amount of financial assistance. To become a part of world supply chain a culture of progression should be promulgated and investment should be done at both technological level as well as labor level.[7]

Revo is the first indigenous Pakistani car manufactured by Adam Motors Feroz Khan, chairman and CEO Adam Motors; said car having 67 percent local content has been manufactured keeping in view factors like country's environment and road conditions. He said initially automobile has been introduced in 800 cc and 1050 cc categories with three models in first and four in second categories. [8]

The total car production till May 2006 is 143,921 against the total sale of 140,071, whereas the production of motorcycles, according to EDB officials, stood at 600,000.The data released by the Pakistan Automotive Manufacturers Association (PAMA) revealed that both production of cars and its sales increased manifolds from 2004 to 2005. Exact figures are as follows. [9]

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[4] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

[5] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

[6] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

[7] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

[8] http://www.dailytimes.com.pk/default.asp?page=story_10-9-2005_pg5_14

[9] http://www.dailytimes.com.pk/default.asp?page=story_14-9-2005_pg5_5

**Table 1-1: Production & Sale in 2004 – 05**

|  | AUG 2004 | AUG 2005 | % INCREASE |
|---|---|---|---|
| Production | 9041 | 12041 | 33.1% |
| Sales | 8920 | 12027 | 34.8% |

**Source:** http://www.dailytimes.com.pk/default.asp?page=story_14-9-2005_pg5_5

Amongst the four leading car assemblers, Honda Atlas posted highest sales growth of 114 percent to 5,259 vehicles during the first two months of fiscal year 2005-06 amidst increased production capacity. Indus Motor's sale declined by 4 percent to 5,462 units as its plant did not operate on full capacity due to the maintenance purpose. Pak Suzuki sold 14,957 vehicles – an increase of 24 percent over corresponding period's sales. Dewan Farooque sales grew by 7 percent and reached 1,747 vehicles. [10]

Government of Pakistan basically controls the overall automobile prices and if government had not signed pacts for giving protection to assemblers like Toyota and Honda, prices would fall down by at-least 15 to 20 per cent. [11]

Automobile development is a fusion of more than seven hundred technologies and thereof it's an extensive and multifaceted process. Where nations like Germany have been consistently trying since 1800 or so they are reaping the benefits at this point in time. India too has locally manufactured vehicle under the brand name of Maruti. Indian government fully supports locally made cars and this is portrayed by the usage of locally manufactured cars by their own governmental officials. As for Pakistan several prototypes have been built lately but government has not been very supportive. [12]

Pakistan lacks research and development facilities therefore local manufacturers can only copy and not tailor-make when developing an automobile. Unlike the west Pakistan's a third world country where fuel is as expensive as Rs.52 per liter hence development of an underpowered, fuel efficient car is required. This would not only require lesser fuel intake but will also be comparatively cheaper. [13]

To sum it up automobile industry can ascertain sustained growth as there is a growing demand from local consumers coupled with a growing economy and consumption as well as a potential to export in foreign markets. If developed its benefits would easily percolate to the lowest strata as it's worlds largest employment generating sector. The future of this 'Industry of Industries' can be quite promising for the overall economy provided that there is political stability, a balance between production levels of vendors and assemblers, continuity of governmental assistance in financing investment and innovation and rationalization of taxation. [14]

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[10] http://www.dailytimes.com.pk/default.asp?page=story_14-9-2005_pg5_5
[11] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm
[12] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm
[13] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm
[14] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

### 1.1.1   Production and Sale of Different Brands

PAMA, Pakistan Automobile Manufacturing Association, on its website lists down figures for the production and sale of different models of cars available in the market right now. It doesn't cover all of the brands present in the market because PAMA provides data only about the companies that are its member. Following table show the monthly data for July and August 2006.

**Table 1-2: Production & Sale from 95-96 to 2000-01**

| CAR | | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---|---|---|---|---|---|---|---|
| 1300-1600cc (2000cc Diesel) | | | | | | | |
| Honda (Civic) | P | 4,666 | 3,922 | 4,071 | 3,928 | 4,744 | 5,824 |
| | S | ~ | ~ | ~ | 3,794 | 4,871 | 4,873 |
| Honda (City) | P | ~ | ~ | ~ | ~ | ~ | ~ |
| | S | ~ | ~ | ~ | ~ | ~ | ~ |
| Suzuki (Baleno) | P | ~ | ~ | ~ | 2,412 | 2,904 | 1,251 |
| | S | ~ | ~ | ~ | 2,045 | 2,883 | 1,484 |
| Suzuki (Liana) | P | ~ | ~ | ~ | ~ | ~ | ~ |
| | S | ~ | ~ | ~ | ~ | ~ | ~ |
| Toyota (Corolla) | P | 4,731 | 5,164 | 5,651 | 8,369 | 8,705 | 8,486 |
| | S | ~ | ~ | ~ | 8,268 | 8,778 | 8,116 |
| Nissan (Sunny) | P | ~ | 599 | 933 | 481 | 83 | 319 |
| | S | ~ | ~ | ~ | 546 | 95 | 310 |
| Kia (Classic NGV) | P | ~ | ~ | ~ | ~ | ~ | ~ |
| | S | ~ | ~ | ~ | ~ | ~ | ~ |
| Kia (Spectra) | P | ~ | ~ | ~ | ~ | 890 | 1,784 |
| | S | ~ | ~ | ~ | ~ | 825 | 1,375 |
| 1000cc | | | | | | | |
| Suzuki (Khyber/ Cultus) | P | 5,720 | 6,280 | 5,019 | 6,991 | 4,635 | 6,290 |
| | S | ~ | ~ | ~ | 6,768 | 4,824 | 6,027 |
| Suzuki (Alto) | P | ~ | ~ | ~ | ~ | ~ | 4,489 |
| | S | ~ | ~ | ~ | ~ | ~ | 4,187 |
| Hyundai (Santro Plus) | P | ~ | ~ | ~ | ~ | 599 | 3,937 |
| | S | ~ | ~ | ~ | ~ | 378 | 3,454 |
| 800cc | | | | | | | |
| Daihatsu (Cuore) | P | ~ | ~ | ~ | ~ | 1,353 | 3,304 |
| | S | ~ | ~ | ~ | ~ | 1,382 | 3,052 |
| Suzuki (Mehran) | P | 8,986 | 13,482 | 14,936 | 16,501 | 8,548 | 3,889 |
| | S | ~ | ~ | ~ | 15,841 | 7,838 | 5,169 |
| Suzuki (Margalla) | P | 6,028 | 3,174 | 3,074 | ~ | ~ | ~ |
| | S | ~ | ~ | ~ | ~ | ~ | ~ |
| TOTAL CARS: | P | 30,131 | 32,621 | 33,684 | 38,682 | 32,461 | 39,573 |
| | S | ~ | ~ | ~ | 37,262 | 31,874 | 38,047 |

**Source: http://www.pama.com**          *(Production (P) & Sale (S) of Vehicle)*

**Table 1-3: Production & Sale from 2001-02 to 2006-07**

| | | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| 1300-1600cc (2000cc Diesel) | | | | | | | Upto-Aug'06 |
| Honda (Civic) | P | 4,615 | 4,610 | 5,998 | 12,359 | 12,274 | 772 |
| | S | 4,625 | 4,637 | 6,097 | 12,352 | 11,998 | 1,009 |
| Honda (City) | P | 3,386 | 3,786 | 7,417 | 11,771 | 17,606 | 1,972 |
| | S | 3,382 | 3,749 | 7,271 | 11,714 | 16,136 | 2,082 |
| Suzuki (Baleno) | P | 1,240 | 2,608 | 4,153 | 5,965 | 2,939 | 0 |
| | S | 1,188 | 2,588 | 4,062 | 5,879 | 3,173 | 0 |
| Suzuki (Liana) | P | ~ | ~ | ~ | ~ | 5,370 | 2,348 |
| | S | ~ | ~ | ~ | ~ | 4,571 | 1,431 |
| Toyota (Corolla) | P | 5,763 | 12,861 | 20,525 | 23,007 | 31,094 | 6,060 |
| | S | 6,151 | 12,867 | 20,321 | 23,002 | 30,527 | 6,212 |
| Nissan (Sunny) | P | 81 | 51 | 26 | 0 | 0 | 0 |
| | S | 113 | 69 | 25 | 1 | 0 | 0 |
| Kia (Classic NGV) | P | ~ | 459 | 188 | 465 | 0 | 0 |
| | S | ~ | 687 | 81 | 546 | 0 | 0 |
| Kia (Spectra) | P | 2,091 | 384 | 73 | 1 | 0 | 0 |
| | S | 2,287 | 434 | 127 | 7 | 0 | 0 |
| 1000cc | | | | | | | |
| Suzuki (Khyber/ Cultus) | P | 5,441 | 8,097 | 10,810 | 15,591 | 21,342 | 4,156 |
| | S | 5,637 | 7,927 | 10,795 | 15,611 | 21,390 | 4,049 |
| Suzuki (Alto) | P | 2,816 | 4,775 | 7,196 | 11,411 | 17,513 | 3,506 |
| | S | 3,072 | 4,701 | 7,148 | 11,431 | 16,823 | 3,821 |
| Hyundai (Santro Plus) | P | 1,667 | 3,114 | 7,902 | 6,101 | 8,604 | 500 |
| | S | 2,245 | 3,135 | 6,922 | 7,009 | 7,031 | 588 |
| 800cc | | | | | | | |
| Daihatsu (Cuore) | P | 2,845 | 4,580 | 6,468 | 8,525 | 7,883 | 2,256 |
| | S | 3,174 | 4,579 | 6,339 | 8,592 | 7,883 | 2,201 |
| Suzuki (Mehran) | P | 10,143 | 16,748 | 27,705 | 31,207 | 35,433 | 5,487 |
| | S | 9,964 | 16,582 | 27,432 | 31,165 | 35,982 | 5,297 |
| Suzuki (Margalla) | P | ~ | ~ | ~ | ~ | ~ | ~ |
| | S | ~ | ~ | ~ | ~ | ~ | ~ |
| TOTAL CARS: | P | 40,088 | 62,073 | 98,461 | 126,403 | 160,058 | 27,057 |
| | S | 41,838 | 61,955 | 96,620 | 127,309 | 155,514 | 26,690 |

**Source: http://www.pama.com**

### 1.1.2  Future Projections

The projected figures for the industry for 2010 suggest that there is a huge growth potential in this industry.

**Table 1-4: Projected Financial Figures for June 2010**

| PROJECTED FINANCIAL FIGURES FOR JUNE 2010 | | | | |
|---|---|---|---|---|
| Description | Cars 320,000 | Motor Cycle 1,000,000 | Tractors 40,000 | Vendors | Industry |
| Contribution to GDP | 210.00 Billion | 75.00 Billion | 23.08 Billion | 60.81 Billion | 368.89 Billion |
| Revenue to GOP | 70.00 Billion | 25.00 Billion | 7.00 Billion | 19.00 Billion | 121.50 Billion |
| Employment | 12,500 | 8,500 | 3,100 | 265,000 | 290,000 |
| Investment | 42.50 Billion | 13.75 Billion | 5.50 Billion | 171.00 Billion | 233.00 Billion |
| Import Substitution | US$ 3.425 Billion | US $0.695 Billion | US $0.585 Billion | US $0.90 Billion | US $5.605 Billion |
| Foreign Exchange Saving | US $1.475 Billion | US $0.425 Billion | US $0.457 Billion | US $0.471 Billion | US $2.830 Billion |

**Source: http://www.pama.com**

The current shortage of automobiles is expected to be resolved in a couple of year's time seeing the number of new entrants in the industry and enhancement of capacity by the existing players. The competition will assume fierceness in times to come and the success of companies to attract an increasing number of customers will be largely determined by the ability of the companies to affect the behaviors of their target markets in their favor.

## 1.2  Overview of Some Brands

### 1.2.1  Toyota Motors

Toyota worldwide markets vehicles in more than 170 countries / regions. In June 2006, outside Japan Toyota have a total of 52 overseas manufacturing companies in 27 countries / regions.

For the manufacturing of Toyota Hilux, Corolla and Cuore (Daihatsu) in Pakistan, Indus Motors Company Limited is responsible among the Asian region.  The total number of units produced by IMC in 2005 was 28,500 (excluding cars produced under brand name Cuore), and the number of employees it had were 1,651.

Indus Motor Company (IMC) is a joint venture between the House of Habib, Toyota Motor Corporation Japan (TMC), and Toyota Tsusho Corporation Japan (TTC) for assembling, progressive manufacturing and marketing of Toyota vehicles in Pakistan

since July 01, 1990. The company was incorporated in Pakistan as a public limited company in December 1989 and started commercial production in May 1993.[15]

IMC's Product line includes 6 variants of the newly introduced Toyota Corolla, Toyota Hilux Single Cabin 4x2 and 4 versions of Daihatsu Cuore. The total installed capacity of Toyota Motors is 20,000 units and actual production in 1999 was 1,069 units. [16]

Table 1-5: SWOT Analysis of Toyota

| Strengths | Weaknesses |
|---|---|
| <ul><li>Strong brand name.</li><li>Known for reliability and superb performance.</li><li>Strong incentives offered by the government.</li><li>Big name in the international arena.</li><li>Very high re sale value.</li><li>Well-established dealer network.</li><li>After sales services and spare support available through out the country.</li></ul> | <ul><li>Image mostly restricted to that of a family car only.</li><li>Lack of visible marketing effort.</li><li>Prolonged delays and excessive premium charged by the dealers.</li><li>Lesser number of features as compared to competitors.</li></ul> |
| **Opportunities** | **Threats** |
| <ul><li>Possibility of capacity expansion.</li><li>Can improve customer base by better marketing efforts and handle the competition.</li><li>Launch more models of its cars using the available infrastructure.</li></ul> | <ul><li>Rapid increase in the number of competitors offering better cars.</li><li>Switching of customers to the competing brands due to quality problems & prolonged delivery.</li><li>Import of foreign cars</li><li>Social class appeal is reducing leading to reduced demand especially among urban customers.</li></ul> |

### 1.2.2 Honda:

Honda Atlas Cars Pakistan Limited was incorporated on November 1992 as a joint venture between Honda Motor Company Limited Japan, and the Atlas Group of Companies, Pakistan. Honda started its operation in Pakistan in 1994 when its first car rolled off the assembly line on May 26. [17]

Since the commencement of production in 1994 till March31, 2005, the company has produced and sold over 77,500 cars. Currently they are offering 8 different models of

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[15] http://www.toyota-indus.com/company/history.asp
[16] http://www.toyota-indus.com/company/history.asp
[17] http://www.honda.com.pk/

Honda CIVIC and CITY cars in wide range of colors with unique technological and other features. [18]

Honda is enjoying its key position in the segment of 1300 cc and above. Honda has launched many models like Civic 1.5 cc, City 1.3 cc to 1.5 cc etc. VTI brand continued to be popular among customers. The actual plant capacity at Honda Motors was about 5,000 units in 1999 and the actual production during the same year was 4,070 units. There are 348 employees working in Honda. [19]

Table 1-6: SWOT Analysis of Honda

| Strengths | Weaknesses |
|---|---|
| • Strong brand name. <br> • Known for reliability and superb performance. <br> • Carries a good social class appeal and is a popular car among the lifestyle groups. <br> • Big name in the international arena. <br> • Offers two different models of cars to its customers to cater for their peculiar needs. <br> • Technologically superior than most competitors. <br> • Comfortable drive among cars in its category. | • After sale support service and technical expertise restricted to major and medium sized cities. <br> • Narrow customer focus. <br> • More expensive than its main rival, the Toyota Corolla. <br> • Lower resale value in comparison to Toyota |
| Opportunities | Threats |
| • Possibility of capacity expansion. <br> • Introduction of a small car 800 to 1000ccLaunch more models of its cars using the available infrastructure. <br> • Capturing the dissatisfied customers of the main competing brand, Toyota Corolla. <br> • Introduction of a CNG car. <br> • Introduction of a diesel car. | • New competition entering the market, like Mitsubishi. <br> • Discontinuation of governmental protection <br> • Switching of customers to the competing brands due to quality problems & prolonged delivery. <br> • Diesel cars. |

## 1.2.3 Suzuki

Pak Suzuki Motor Company Limited (PSMCL) was incorporated as a public limited company in August 1983. Suzuki is the leading name in small commercial vehicles and passenger cars. Suzuki commenced its operation by assembling small 800 cc cars. Suzuki

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[18] http://www.honda.com.pk/

[19] http://www.honda.com.pk/

was so far a sole leader in 800cc and 1000cc passenger cars as well as 1000cc jeep Potohar. But the emergence of so many competitors in the market will definitely trigger a very hard time to Pak Suzuki.

Suzuki has launched Mehran 800cc, Cultus 1000cc, Baleno 1.3 & 1.6 Eli and Gxi, Bolan van & Ravi pickup 800cc and Potohar jeep. The total production capacity of Suzuki Motors is about 50,000 units and the total actual production in 1999 was 32,805. The sales volume of Suzuki is the highest among the competitors with 31,296 cars as per June 30, 2000. Suzuki has localization in other products also like 1000cc Khyber 42 percent, 1300cc Margalla/Baleno 32 percent, 800cc pickup 50 percent 10 passenger pickup 47 percent and 1000cc Potohar jeep 40 percent. [20]

**Table 1-7: SWOT Analysis of Suzuki**

| Strengths | Weaknesses |
|---|---|
| <ul><li>Well established brand name.</li><li>Known for reliability and superb performance.</li><li>Superior engine in small cars category</li><li>Big name in the international arena.</li><li>Comfortable drive among cars in its category.</li><li>Reasonable product demand.</li></ul> | <ul><li>Very fragile body (Mehran)</li><li>Brand name associated with small cars.</li><li>It is not associated with prestigious cars.</li></ul> |
| **Opportunities** | **Threats** |
| <ul><li>Introduction of a diesel car</li><li>Improvement in fuel consumption of some models e.g. Cultus</li><li>Better marketing effort to improve brand image in higher cc cars e.g. Liana.</li><li>Possibility of capacity expansion.</li></ul> | <ul><li>New competitors in the Pakistani market</li><li>Introduction of lower priced Chinese cars</li><li>Import of other cars allowed.</li><li>Discontinuation of governmental protection</li><li>Switching of customers to the competing brands due to image & quality problems.</li></ul> |

## 1.2.4 Hyundai

It is the major competitor which has commenced its operation with a wide range of products in domestic automobile market. Dewan Motors is basically collaboration with Hyundai and Kia, two Korean auto manufacturers. The initial response to Dewan's offering in the market with record company booking of its Santro Plus. It has launched its Kia classic 1300 cc car with sophisticated features. In future wide range of models like Kia Shuma 1500-1800cc car, Kia Sportage 2000 cc sports utility are expected to launch

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[20] http://www.paksuzuki.com

in the market. Dewan has also launched its 1.5 tons Shehzore, the assembly of Hyundai light commercial vehicle has already started at the Sindh Engineering Plant in Karachi under contractual agreement. [21]

Dewan's presence in the market will give the major move to the auto industry in Pakistan. The intense competition will give the benefit to the potential buyers in the market.

**Table 1-8: SWOT Analysis of Hyundai**

| Strengths | Weaknesses |
|---|---|
| 🐾 Superior engine in small cars category <br> 🐾 lower Fuel consumption <br> 🐾 High resale value(CNG Mode) <br> 🐾 Comfortable drive among cars in its category. | 🐾 Internal body parts e.g. locks etc not very reliable. <br> 🐾 Korean brand name considered not very reliable. |
| **Opportunities** | **Threats** |
| 🐾 Introduction of a diesel car <br> 🐾 Introduction of a bigger car 1300 to 1800 cc. <br> 🐾 More marketing effort to improve brand image. | 🐾 New competitors in the Pakistani market <br> 🐾 Introduction of lower priced Chinese cars <br> 🐾 Import of other cars allowed. <br> 🐾 Switching of customers to the competing brands due to image & quality problems. <br> 🐾 Change in economic policies of the Government leading to increase in the interest rates thereby making the auto leasing more expensive/ unattractive |

## 1.2.5 Chevy

General Motors (GM) has been the world's leading automobile company since 1931, with an extensive family of brands including Buick, Cadillac, Chevrolet, Daewoo, Holden, Hummer, Opel, Pontiac, Saab, Saturn, and Vauxhall. In addition, GM maintains a number of sales, power train, and purchasing partnerships with Fiat, Fuji Heavy Industries, and Suzuki. In 2004, General Motors sold almost 9 million vehicles in 200 countries, and employed 324,000 people around the world. [22]

Nexus Automotive is the exclusive importer and progressive manufacturer of General Motors products in Pakistan. They have been importing Chevrolet vehicles and marketing them nationally through their franchised dealer network since 2004. But since December 2005, they have entered into assembling of 800 and 1000 cc models in the country with

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[21] http://www.dewan-motors.com
[22] http://www.nexusauto.com.pk

the support of General Motors and Daewoo. The whole project brought $15 million foreign direct investment in the country. They plan to raise the manufacturing capacity from 3,000-3,500 cars in the beginning to the production of 8,000-9,000 cars over the next five years. [23]

**Table 1-9: SWOT Analysis of Chevy**

| Strengths | Weaknesses |
|---|---|
| ♣ Superior engine in small cars category<br>♣ Solid body<br>♣ Great suspension<br>♣ Comfortable drive among cars in its category. | ♣ Very little resale value<br>♣ Non availability of parts<br>♣ Weak brand name in Pakistan |
| **Opportunities** | **Threats** |
| ♣ Start full fledged manufacturing<br>♣ Improve dealer network<br>♣ Improve spare parts availability | ♣ Import of foreign cars<br>♣ New competitors.<br>♣ A further increase in the existing rates of duties is liable to make the cars uncompetitive due to price<br>♣ A sudden unexpected economic downturn. |

# 1.3 PEST Analysis

The outside environment in which a particular industry survives has a strong role to play for the success or failure of that industry as a whole or the companies involved in that industry individually. Certain elements of an industry's environment are under its control while others are beyond its control. Depending upon its stature and size, every effort is made to have all the elements of internal as well as external environment well under the industry's control so that it can meet both its short and long-term business interests.

Without properly understanding the outside environment, if a company starts off with its marketing program, it will surely face serious problems in the future. Thus analysis of the environment is very important, in fact, this process should be continuous and feed all aspects of planning.

PEST analysis is a framework used very repeatedly by managers before making any decision. It is a good tool to study the macro environment in which some industry survives. The words PEST stand for Political, Economic, Social and Technological respectively.

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[23] http://www.apnigari.com/forums/Locally-assembled-Chevrolet-to-be-launched-soon-.html

### 1.3.1  PEST Analysis of Automobile Industry

### 1.3.1.1 Political Factors

Most important political factor for any industry is the stability of government because it determines the stability of policies which the industry members have to bear with. These rules and regulations determine the fate of the industry. If we see the overall situation of our country, we can comfortably say that Pakistan is a politically unstable country.

The car manufacturing industry is among heavy industries. As such its installation and operation are capital intensive. Political stability is extremely essential for such an industry as it normally leads to investment friendly climate and continuation of policies. Auto industry has seen a boom in the last few years. Many new players have entered the arena. But still there is some unrest among the major players. The following excerpts are taken from newspaper articles showing the confusion that prevailed among the major players because of the changing governmental policies.

The car manufacturers informed the government that it would disturb the plan of further investment of the automobile industry, if the government continued to change policy regarding import of vehicles every year. [24]

"The proposed policy will discourage new investment and create unemployment," the four auto assemblers -–Pak Suzuki, Indus Motors, Honda Atlas and Dewan Farooque—warned in a joint petition to the minister, informing him of their future expansion and investment plans up to 2011-12 when they intend to produce 516,000 units, employment opportunities for 13,900 persons and Rs.103 billion taxes to the government. Pointing out that the proposed government policy has created "a lot of uncertainty", the auto assemblers have sought clarifications so that their plans of future investment and expansion are not derailed.[25]

International standing of our country has improved over the last few years. Issues like terrorism have been well taken care of.  This has helped improve foreign assistance and relations, thus opening new venues for new investors.

### 1.3.1.2 Economic Factors

The number of cars that are seen now on the roads is much more than what we used to see only a few years ago. All the credit goes to the change in economic conditions. The success or failure of any industry directly depends upon the purchasing power of the people of the country. Purchasing power is directly related to the overall economic conditions prevalent at a given time.

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[24]http://www.dawn.com/2006/04/13/ebr4.htm
[25] http://www.dawn.com/2006/04/13/ebr4.htm

Pakistan's economy continued to maintain solid pace of expansion for the fourth year in a row in the fiscal year 2005-06 despite facing headwinds from rising energy prices at $70-75 per barrel and the widespread damage caused by the earthquake of October 8, 2005. With economic growth at 6.6 percent in 2005-06, Pakistan's economy has grown at an average rate of almost 7.0 percent per annum during the last four years and over 7.5 percent in the last three years, thus enabling it to join the exclusive club of the fastest growing economies of the Asian region.

Trend of leasing has impacted a lot the overall situation. Even those who previously didn't afford to purchase a car are now leasing it and becoming car owners. This has increased manifolds the sales of cars. The credit for this goes to the government's economic policies, Pakistan in recent years has been following a loose monetary policy due to which a lot of cash was available with banks and as the interest rates went down, people preferred car financing and; leasing. Although the Interest rates are now starting to go up, yet the purchase of cars has not slowed down.

**Table 1-10: Production & Sale of Cars from 1995 to 2006**

| CAR | | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---|---|---|---|---|---|---|---|
| TOTAL CARS: | P | 30,131 | 32,621 | 33,684 | 38,682 | 32,461 | 39,573 |
| | S | ~ | ~ | ~ | 37,262 | 31,874 | 38,047 |

| 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|
| 40,088 | 62,073 | 98,461 | 126,403 | 160,058 |
| 41,838 | 61,955 | 96,620 | 127,309 | 155,514 |

**Source: http://www.pama.com**

The above tables show that production of cars increased from 30,131 units in 95-96 to 160, 058 in 2005-06, and the sales increased to 155,514 units.

According to the Economic Survey of Pakistan the automobile group has contributed to the overall growth by an impressive 30.1 per cent. [26]

Government announced a reduction in the import duty in the fiscal year 2005-06. Investors had many speculations regarding this decision but an auto analyst commented that:

"The reduction in import duty in the fiscal year 2005-06 budget and increase in depreciation rates on used cars' import have not hampered the local car sales," said Faraz Farooq, auto analyst at Jahangir Siddiqui and Co. [27]

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[26] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm
[27] http://www.dailytimes.com.pk/default.asp?page=story_14-9-2005_pg5_5

## 1.3.1.3 Socio- Cultural Factors

The socio cultural factors have a profound influence on consumption of certain products. These factors impact the choice of brands. There is no Pakistani brand of car in the market, and there is no acceptance or rejection of cars on the basis of its origin. Only the technological features and the performance of car with respect to the price and running expenses are considered during the purchasing process. Owning a car previously was considered a luxury but now it has become a necessity. Previously Car was like a status symbol for many. Also a culture of financing has emerged in Pakistan, where previously people didn't get loans from banks, but now people are much more aware and are willing to use financing.

## 1.3.1.4 Technological Factors

There are some essential technological additions that have been made to the specifications of motor cars being produced in the world that pertained to economy, environment and safety. Euro compliance has become the standard for the cars. The use of safety materials as prescribed under Euro compliance are an essential part of the manufacture of vehicles today.

The importance of current and future technology being incorporated in Pakistan's future production program is extremely important. International Car manufacturers have an extensive research and development program that ensures the redundancy of technology over a pre-determined period in order to stay abreast with their competitors and the world demand. This in fact means that a lot of current equipment becomes wasted and therefore they seek less competitive and developed markets to transfer this relatively outdated technology. Thus the issues like technology transfer and aspect of quality control in terms of materials and production are of utmost importance of developing nations like ours. We have to keep a balance between the technology we get from outside and the money we pay for it, because that technology would certainly be cost effective but will be a low volume producer. [28]

For the consumer it is most important that the vehicle he gets satisfies his particular needs. The major one of these is reliability and low operating costs. Therefore power with economic fuel consumption, long service intervals and an extended warranty are essential. With the volumes being produced and the availability of labor it is essential that quality control is seriously improved. This at present is well below the required standards. [29]

Pakistan lacks research and development facilities therefore local manufacturers can only copy and not tailor-make when developing an automobile. [30]

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[28] http://www.nation.com.pk/daily/sep-2005/24/columns1.php
[29] http://www.nation.com.pk/daily/sep-2005/24/columns1.php
[30] http://www.jang.com.pk/thenews/aug2005-daily/25-08-2005/business/b11.htm

# 1.4  Porter's Five Forces

Michael Porter provided a framework that models an industry as being influenced by five forces. Business managers seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The five forces as identified by Porter include:

## 1.4.1  Bargaining Power of Suppliers

Bargaining power of suppliers affects their ability to raise prices. Suppliers are likely to be powerful if they are few in number, each individual purchase represents only a small amount of the company's sales, there are not good substitutes of the product purchased, and the product or service is unique. The power of suppliers tends to be a reversal of the power of buyers. The power is high where the switching costs are high, where the brand is powerful, there is a possibility of the supplier integrating forward, customers are fragmented (not in clusters) so that they have little bargaining power.

Automobile industry is quite rightly termed as the mother of all industries. It incorporates almost every facet of engineering, be it electrical, technical or mechanical. Automobile development is a fusion of more than seven hundred technologies. Thus there is a huge list of supplies needed to manufacture a car.

Auto parts manufacturing industry is growing at a rapid rate, but there still are many hindrances in that like the required initial investment is very large, technology required is quite costly and skilled labor is required. Another major hindrance for investors is the high breakeven point required for producing a given type of auto part. Hence it's not feasible to manufacture these types of auto-parts thereof they are imported.

Thus the power of local suppliers is quite low as compared to the international suppliers because they have to sell off their products to get to the breakeven point, and at present there are over 750 various sized vendors operating in the local market, making the competition among them even tougher.

## 1.4.2  Bargaining Power of Buyers

Bargaining power of buyers affects the industry through their ability to force down prices, bargain for higher quality or more services, and play competitors against each other. Buyers are likely to have power if a buyer purchases a large part of the sellers product, if alternative suppliers are plentiful because the product in undifferentiated, if the buyers earn low profits and is sensitive to cost differences, and if the purchased product is unimportant to the final quality or price of a buyer's product.

The demand on the consumer end is fairly high as compared to the supply from the automobile manufacturers mainly due to the developments in the leasing sector. This has created a supply and demand gap, leaving the buyers with less power. Hence the buyers have to pay premium for an early delivery of a car or alternately have to wait for 3 to 9 months to get a car of their choice.

### 1.4.3  Threat of Substitutes

Substitute products are products that appear to be different but can satisfy the same need as another product. When switching costs are low, substitutes can place a price ceiling on products. A threat of substitutes exists when a product's demand is affected by the price change of a substitute product. Example of a substitute product could be tea and coffee. They are not direct rivals but are serving the same generic need so are substitutes to each other.

Substitutes to cars could be railways, public transport, tube service, airways etc. considering the condition of these services in Pakistan and the purchasing power of consumers; we can safely conclude that the threat of substitutes is low. Public transport in the cities is mainly in the form of wagons and in some cities there are bus services like Metro in Karachi, but the standard they have is not up to the mark and is not at all comparable to the comfort one gets by owning a car, if he affords to have one.  Example of public transport available intercity are the service providers like Daewoo and New Khan, but because their destinations are limited, they are not preferred by most consumers. Then we have railways. Its condition is simply miserable. People choose it only for longer routes where they can not drive and the fares of air travel are beyond their budget. Then is the air travel whose fares are very high and thus not everyone can afford them.

Government has announced the project of launching of tube service between Lahore and Islamabad. This is not a serious threat, because it will take much time to be fully operational, and its capacity would be much limited as compared to the number of people who travel among the two cities.

### 1.4.4  Rivalry among Existing Players

Rivalry among existing firms is the amount of direct competition in an industry. Industries that have intense competition are characterized by competitors that are roughly equal in size, slow rates of industry growth and the production of commodities, high fixed costs, and high exit barriers arising from investments in specialized equipment.

When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage. The intensity of rivalry is influenced by industry characteristics like a large number of firms, slow market growth which causes firms to fight for market share, high fixed costs, high storage costs, low switching costs, low levels of product differentiation, high strategic stakes, high exit barriers, and diversity of rivals with different cultures, histories, and philosophies.

The rivalry among existing players is quite high in the Pakistani market. Although Toyota and Suzuki are the major share holders, with having more than half of the market share in their hands, there still are many other competitors which are grabbing the market share very aggressively. These include Daihatsu, Honda, Hyundai, Mercedes, BMW, and

Nissan Sunny etc. Thus with passage of time, the number of automobile assemblers started to increase and the market started losing the concentration. At present, there is a mass influx of automobile manufacturers in the country. Hence the competition is increasing manifolds to cater to the ever increasing demand.

## 1.4.5  Threat of New Entrants

It's not only the present competitors who are a threat to the existing players but the possible new entrants are also a serious threat to an industry's players. New entrants usually bring new capacity and competition for customers and resources. This is a risk to existing businesses in the industry. The threat of entry depends on presence of entry barriers. Entry barriers make it difficult for another business to enter the industry. Barriers to entry are more than the normal equilibrium adjustments that markets typically make. For example, when industry profits increase, we would expect additional firms to enter the market to take advantage of the high profit levels, over time driving down profits for all firms in the industry. Falling prices or a fear that future prices will fall, deters rivals from entering a market. Some other barriers to entry arise from sources like barriers created by the Government, patents and proprietary knowledge, asset specificity and organizational (Internal) Economies of Scale.

There are three possible forms of new entrants in the automobile industry. If the Government reduces duty on the import of cars, buyers will start importing cars and the demand for locally assembled cars will decline. Second source would be the case if foreign manufacturers start up their assembly plants in Pakistan. And finally the third source could be any local company entering the field of automobile manufacturing.

Negotiations are going on between government officials and auto manufacturers regarding the issue of importing used cars and the duties applicable on that.

Apparently unhappy over the government's long term policy outlined by Jehangir Tareen, the federal industries minister, in a meeting, the four big foreign auto assemblers have demanded adequate protection against the import of re-conditioned cars and auto parts, manufactured locally. [31]

Government is in favor of new investments coming in the country in any field, especially in auto manufacturing. Following is an abstract from a newspaper article.

In reply to a question about a policy for new entrants Engineering Development Board (EDB) Chief Executive Officer Imtiaz Rastgar, talking to Business Recorder, said the rules are being prepared and government wants to open the doors for new investors in the auto sector. The new entrants in the automobile sector would create competition, he added. [32]

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[31] http://www.dawn.com/2006/04/13/ebr4.htm
[32] http://www.apnigari.com/forums/Long-term-policy-for-auto-sector-demanded.html

According to an article published in a newspaper, the automobile industry has developed a monopolistic culture. To do away with that, the Pakistani government expects major investments from European car manufacturers including Renault, Volkswagon and London's Black-Cab in response to its new auto policy that will break the "monopolistic culture" being followed by the Japanese auto firms. [33]

Informed sources told Dawn that the "Auto Industry Investment Policy - New Entrants in the Car and Light Commercial Vehicle Sector" has been designed to do away with the distortion in the market created by the Japanese auto firms. [34]

The third condition was those local investors come in the field of auto manufacturing. An example of such entrant is Adam Motors, launching Revo. Thus threat of new entrants is high.

**Figure 1-1: 5 Forces Model for Automobile Industry**



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[33] http://news.my-install.com/news/1619/
[34] http://news.my-install.com/news/1619/
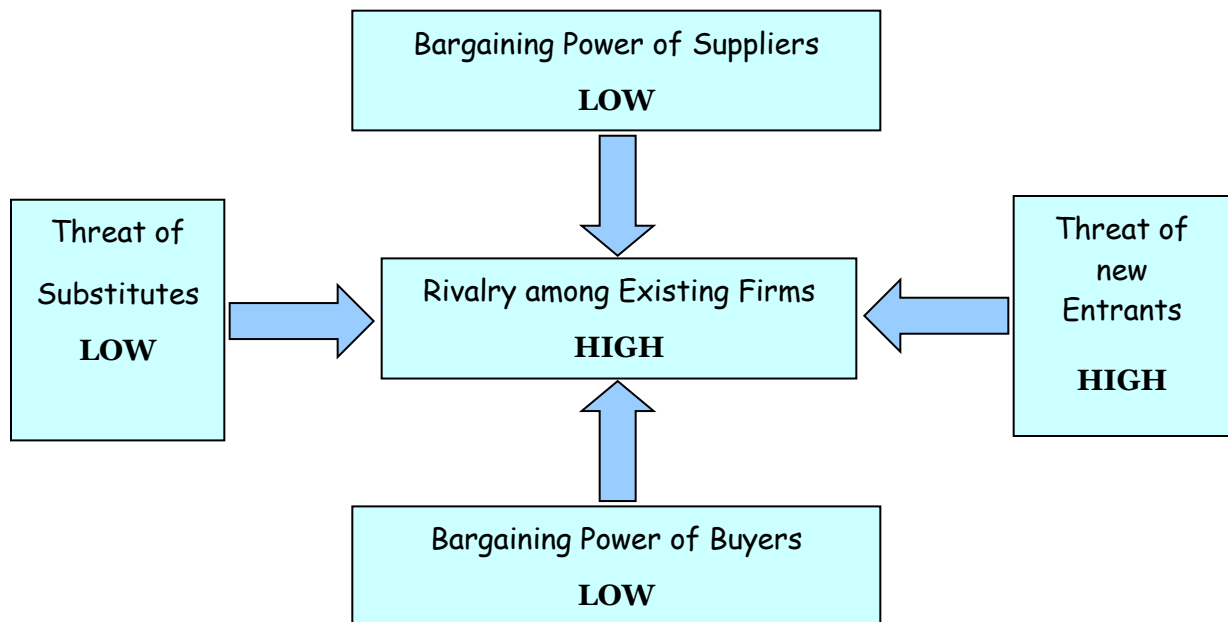
# 2 Literature Review

## 2.1 Brand

### 2.1.1 What is a Brand?

Brands are a means to distinguish the goods of one producer from that of another. According to the American Marketing Association, a brand is a name, term, sign or design or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition. Thus the key to creating a brand, according to this definition, is to choose a name, logo, symbol, package design, or other attributes that identifies a product and distinguishes it from others. These different components of a brand that identify and differentiate it are its brand elements. [35]

Another way to define a brand is that it is something that resides in the minds of the consumers. Thus it's a perceptual entity, rooted in reality, but also reflecting the perceptions and perhaps the idiosyncrasies of consumer. Almost anything can be branded, ranging from physical goods, to services and from retailers and distributors to people and organizations. Geographical location, sports, arts and entertainment can also be branded. Examples of all of these categories are listed in the following table. [36]

### 2.1.2 Brand versus Product

A brand is a product that adds other dimensions to differentiate it in some way from other products designed to satisfy the same need. These differences may be rational or tangible; related to product performance of the brand, or more symbolic, emotional, and intangible; related to what the brand represents. [37]

### 2.1.3 Importance of Brands

Brands are beneficial and important both to the consumer and to the manufacturer. [38]

- For consumers
    - They help identify the source of the product, and thus authenticate it
    - They assign responsibility to the product maker.
    - They help reduce the risk.
    - Search cost is also reduced.
    - They come with a promise, a bond, or a pact with the maker of the product.
    - They act as a symbolic devise.

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[35] Keller; "Strategic Brand Management", 1st edition, p. 02
[36] Keller; "Strategic Brand Management", 1st edition, p.10
[37] Keller; "Strategic Brand Management", 1st edition, p.04
[38] Keller; "Strategic Brand Management", 1st edition, p.07

- o They are a signal of quality.

- For manufacturers
    - o They are means of identification to simplify handling or tracing.
    - o They help legally protect unique features.
    - o They signal quality level to satisfied customers.
    - o They are a means of endowing products with unique associations.
    - o They have the potential to become a source of competitive advantage.
    - o They are a source of financial returns.

## 2.1.4 Brand Identity

### 2.1.4.1 Identity in General

Identity is something which describes the uniqueness and individuality of someone or something, like for human being 'identity cards' are used which tell in a few words who we are, what our name is and what distinguishable feature we have that can be instantaneously recognized. Having a brand identity means being your true self, driven by a personal goal that is both different from others and resistant to change. [39]

### 2.1.4.2 Brand Identity

Brand identity is the common element sending a single message among the wide variety of its products, actions and slogans. Brand identity can be clearly defined once the following questions are answered. [40]

- What is the brands particular vision and aim?
- What makes it different?
- What need is the brand fulfilling?
- What is its permanent nature?
- What is its value or values?
- What are the signs which make it recognizable?

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[39] Kapferer, "Strategic Brand Management", 2nd edition, p. 91
[40] Kapferer, "Strategic Brand Management", 2nd edition, p.92

## 2.1.4.3 Identity and Image

**Figure 2-1: Identity and Image**



**Source: Kapferer, "Strategic Brand Management", p. 95**
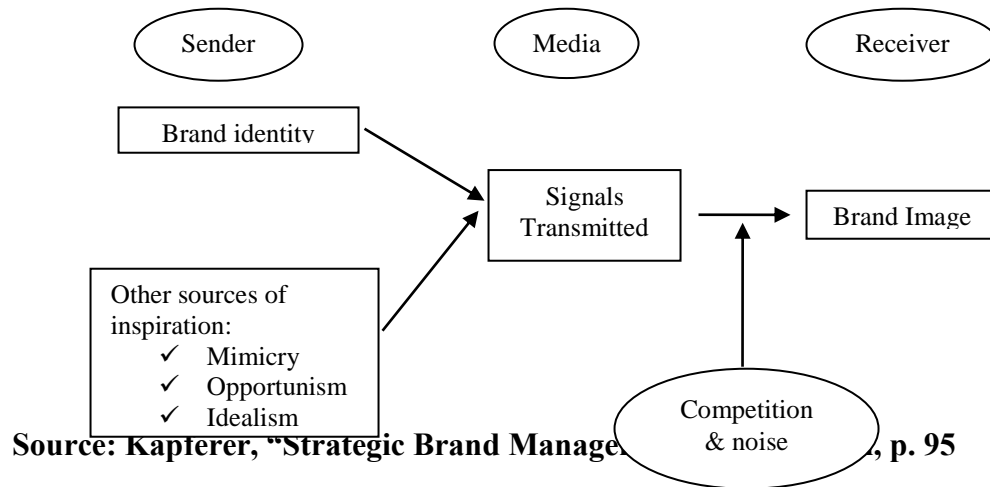
Brand image is on the receiver's side. It is the way certain groups or individuals perceive a product, a brand, a politician, a company, or a country etc. the image refers to the way in which these groups decode all of the signals emanating from the products, services and communication covered by the brand. [41]

On the other hand, identity is on the sender's side, thus identity preceded image. Any company, before trying to project an image to the public, must know exactly what they want to project. As the above figure shows, an image is a synthesis made by the public of all the various brand signals e.g., brand name, visual symbols, products, advertisements, sponsoring, patronage, articles etc. An image results from decoding a message, extracting meaning, and interpreting signs. [42]

## 2.1.5  Sources of Identity; The Brand Elements

Brand Identity is made up of the entire set of Brand Elements. Brand identity reflects the contribution of all brand elements to awareness and image. Following are the elements used to describe a Brand. [43]

## 2.1.5.1 Brand Name

The brand name is a fundamentally important choice as it often captures the central theme or key associations of a product in a very compact and economical fashion. Brand names are extremely effective "shorthand" means of communication. [44]

## 2.1.5.2  Logos and Symbols

This is one of the visual brand elements that play a critical role in building brand equity.[45]

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[41] Kapferer; "Strategic Brand Management", 2nd edition, p. 94
[42] Kapferer; "Strategic Brand Management", 2nd edition, p. 94
[43] Keller; "Strategic Brand Management", 1st edition, p. 166
[44] Keller; "Strategic Brand Management", 1st edition, p.135

### 2.1.6 Character

Characters represent a special type of brand symbol – one that takes on human or real life characters. Brand characters are typically introduced advertising and can play a central role in these and subsequent ad campaigns and package designs. [46]

### 2.1.6.1 Slogans

Slogans are short phrases that communicate descriptive or persuasive information about the brand. Slogans typically appear in advertising but can play significant role on packaging and in other aspects of the marketing program. [47]

### 2.1.6.2 Jingles

Jingles are musical messages written around the brand. Typically composed by professional songwriters, they often have catchy hooks and choruses to become permanently registered in the minds of the consumers. [48]

### 2.1.6.3 Packaging

Packaging involves the activity of designing and producing containers or wrappers for a product. Packaging style and color can consumer's perceptions of the product itself. [49]

### 2.1.7 Brand Equity

A strong brand name gives business several advantages associated with what is called brand equity. Brand equity is the set of characteristics unique to a brand that allows a company to charge a higher price and retain a greater market share than would otherwise be expected for an undifferentiated product. Such strength provides power to the company as it deals with the retailers. This power, in turn leads to an improved performance in terms of shelf space and displays. Brand equity also influences wholesalers by affecting what they stock and which brands they encourage their customers to purchase. Wholesalers will often stock several brands but will place greater emphasis on high-equity brands. [50]

In business to business markets, brand equity often allows a company to charge a higher price. Equity also affects selection in the buying decision process. Products with high brand equity are often selected over products with low brand equity or brand about which the firms low a little. The same scenario is present in international markets. [51]

Brand name recognition and recall can be built by repetitious advertising. Building brand equity however goes beyond mere brand recognition. Brand equity is strong weapon that

[45] Keller; "Strategic Brand Management", 1st edition, p.143
[46] Keller; "Strategic Brand Management", 1st edition, p.146
[47] Keller; "Strategic Brand Management", 1st edition, p.151
[48] Keller; "Strategic Brand Management", 1st edition, p.157
[49] Keller; "Strategic Brand Management", 1st edition, p.157
[50] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 119
[51] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 119

might dissuade consumers from looking for a cheaper product or for special deals or incentives to purchase another brand. Brand equity prevents erosion of a brand's market share, even when there is a proliferation of other brands coupled with endless promotional maneuvers by competitors. [52]

Additional benefits of brand equity are:
- Allows manufacturers to charge more for their products
- Higher gross margins
- Provides power with retailers and wholesalers
- Additional retail shelf space
- Weapon against consumers switching due to sales promotions
- Prevents erosion of market share

## 2.1.8 Types of Brands

Brands have several different types, some of which are as follows:

- Brands develop histories, they have personalities and they include strengths, weaknesses and flaws. Many brands produce family trees. **Family Brand** is one in which a company offers a series or group of products under one brand name. [53]
- **Brand extension** is the use of established brand name or products or services not related to the core brand. [54]
- An alternative to brand extension is the development of **Flanker brands**. Flanker Brand is the development of a new brands by a company in a product or service category it currently has a brand offering. [55]
- **Private brands** are proprietary brands marketed by an organization and normally distributed exclusively within the organizations outlet. [56]
- **Co-branding** is the offering of two or more brands in a single market. It can take three distinct forms:
  - **Ingredient branding** is the placement of one brand with in another brand.
  - **Cooperative branding** is the joint venture of two or more brands into a new product or service.
  - **Complementary branding** is the marketing of two brands together to encourage consumption or co-purchases. It succeeds only when it builds the brand equity for both the brands. [57]

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[52] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 119
[53] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p.118
[54] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 121
[55] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 121
[56] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition p. 125
[57] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 123

## 2.1.9 Brand Asset Valuator

The most ambitious effort to measure brand equity across products, termed the Brand Asset Valuator, is that of Young & Rubicam (Y&R) a major global advertising agency. Following is the graphical representation of the power grid they made. [58]

**Figure 2-2: The Y & R Power Grid**

| | LOW | HIGH | |
|---|---|---|---|
| **BRAND STRENGTH** | Emerging Potential | Leadership | **HIGH** |
| | New/ unfocused | Eroding Potential | **LOW** |

BRAND STATURE

**Source: Keller, "Strategic Brand Management", 1st edition, p. 627**

Y&R has integrated the two fundamental dimensions of Brand Strength and Brand Stature into a visual analytic devise which they call the Power Grid. It shows the cycle of Brand development. Four sets of measures are used to identify Brand Strength and Stature:

Brand Strength = Differentiation * Relevance

- Differentiation Measures how distinctive the brand is in the marketplace.
- Relevance Measures whether a brand has personal relevance for the respondents. Is it meaningful to him or her? Is it personally appropriate?

Brand Stature = Esteem * Knowledge

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[58] Keller; "Strategic Brand Management", 1st edition, p.625

- Esteem Measures whether a brand is held in high regard and considered the best in its class. Closely related to perceived quality and the extent to which the brand is growing in popularity.
- Knowledge- A measure of understanding as to what a brand stands for.

According to Y&R, brands generally begin life in the lower left corner, where they first establish their Relevant Differentiation, their reason for being. Most of the movement from there is upward. Differentiation starts the process of growth, then Relevance, while the brand is not yet held in Esteem or widely known. Enough brand Strength boosts the brand into upper left quadrant. Y&R believes that this quadrant represents tremendous emerging potential for a brand. Brand Strength is still building and the challenge here is to translate this Brand Strength into Brand Stature. Specialist brands that appeal to focused target groups tend to remain in this quadrant. Or, this upper left quadrant can be the base from which to launch an attack. Current brand leaders need to recognize the brands here as their emerging competition. [59]

# 2.2 Advertising

## 2.2.1 What is Advertising?

Advertising can be defined as any paid form of non-personal communication about an organization, product, service or idea by an identified sponsor. [60]

The paid aspect of this definition reflect the fact that the space or time for an advertising message generally must be bought.

The non-personal component means advertising involves mass media that can transmit a message to large individuals, often at the same time. The non personal nature of advertising means there is generally no opportunity for immediate feedback from the message recipient (except in direct response advertising).

Advertising is part of Promotion mix of an organization. Other parts involved are as follows:

- Direct marketing
- Sales promotion
- Publicity/ public relations
- Personal selling

Advertising is the best-known and widely discussed form of promotion, probably because of its pervasiveness. It is an important promotional tool, particularly for companies whose

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[59] Keller; "Strategic Brand Management", 1st edition, p. 627
[60] Belch & Belch; "Advertising & Promotion", 4th edition, p.14

products and services are targeted at mass consumer markets. It also is a cost effective method for communicating with large audiences.

## 2.2.2 The Positioning Process

Following are the basic three activities/ steps involved in the positioning process. [61]

*Step 1: Market Segmentation*
Market is divided into various segments/ groups for convenience.

*Step 2: Target Marketing*
Knowledge of segments is not enough. Considerable effort has to be put into selecting the segments that best meet the needs of the organization. This involves consideration of the available resources as well as the consumer segments and the competitive positions.

*Step 3: Product Positioning*
This step makes it clear that after selecting the optimum segments, the supplier then needs to choose the optimum position within those segments.

## 2.2.2.1 Market Segmentation

It is not possible to develop marketing strategies for each individual, rather the marketer attempts to identify broad classes of buyers who have the same needs and will respond similarly to marketing actions. Eric N. Berkowitz, Roger A. Kerin, and William Rudelius, define market segmentation as "dividing up a market into distinct groups that (1) have common needs and (2) will respond similarly to a marketing action". The segmentation process involves five distinct steps: [62]

- Finding ways to group consumers according to their needs
- Finding ways to group the marketing actions – usually the products offered – available to the organization
- Developing a market – product grid to relate the market segments to the firm's product or actions
- Selecting the target segments towards which the firm directs its marketing actions
- Taking marketing actions to reach target segments.

The more marketers segment the market, the more precise is their understanding of it. But the more the market becomes divided, the fewer customers are in each segment. Thus a key decision is: How far should one go in segmentation process? Where does the process stops?

### 2.2.2.1.1 Bases for Segmentation

Following table shows the broad bases used for segmenting the market. Marketers may use one of the segmentation variables or a combination of these approaches.

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[61] Czinkota & Kotabe; "Marketing Management", 2nd edition, p. 212
[62] Belch & Belch; "Advertising & Promotion", 4th edition, p. 40

**Table 2-1: Some Bases for Market Segmentation**

| Main dimension | Segmentation Variable |
|---|---|
| **Segmentation variables and breakdowns for consumer markets** | |
| Customer Characteristics | |
| Geographic | Region |
| | City or metropolitan statistical area(MSA) size |
| | Density |
| | Climate |
| Demographic | Age |
| | Sex |
| | Family size |
| | Stage of family life cycle |
| | Ages of children under 18 |
| | Income |
| | Education |
| | Race |
| | Home ownership |
| Psychographics | Personality |
| | Lifestyle |
| Buying Situations | |
| Benefits sought | Product features |
| | Needs |
| Usage | Rate of use |
| | User states |
| Awareness & Intentions | Readiness to buy |
| | Brand familiarity |
| Buying condition | Types of buying activity |
| | Kind of store |
| **Segmentation variables and breakdowns for industrial markets** | |
| Customer Characteristics | |
| Geographic | Region |
| | Location |
| Demographic | SIC Code |
| | Number of employees |
| | Number of production workers |
| | Annual sales volume |
| | Number of establishments |
| Buying Situations | |
| Nature of goods | Kind |
| | Where used |
| | Application |
| Buying condition | Purchase location |
| | Who buys |
| | Type of buy |

**Source: Belch & Belch, "Advertising & Promotion", 4th edition, p. 42**

## 2.2.3 Positioning

Positioning a brand means emphasizing the distinctive characteristics that make it different from its competitors and appealing to the public. [63]

**Figure 2-3: Brand Positioning**

```
            ┌────────┐         ┌──────────┐
            │ Why?   │         │ For whom?│
            └────────┘         └──────────┘
             ◇                          ◇


            ┌────────┐         ┌──────────────┐
            │ When?  │         │ Against whom?│
            └────────┘         └──────────────┘
```
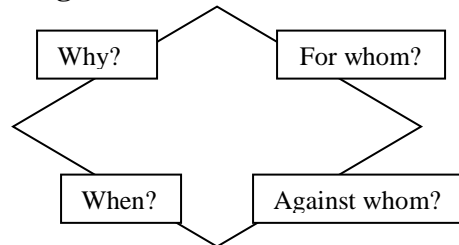
**Source: Kapferer, "Strategic Brand Management", 2nd edition, p. 97**

- A brand for what? This refers to the brand promise and consumer benefit aspect.
- A brand for whom? This refers to the target aspect.
- A brand for when? This refers to the occasion when product will be consumed.
- A brand against whom? This refers to the main competitor(s), i.e., those whose clientele we think we can partly capture.

Thus positioning is the process of creating a perception in the consumer's mind regarding the nature of the company and its products relative to the competition. Position is created by variables such as the quality of products, prices charged, methods of distribution, image and other factors. Positioning consists of two important elements: (1) it is established relative to the competition, and, (2) it exists in the minds of consumers. Although a firm attempts to position its products through advertising and other marketing communications, consumers ultimately determine the position of firm's products. To be effective, firms must either reinforce what consumers already believe a product or brand name or shift the consumers view towards a more desirable position. The goal of positioning is to find that niche in a consumers mind that a product can occupy. [64]

## 2.2.3.1 Use of Perceptual Maps for Positioning

Perceptual mapping is a graphics technique used by marketers that attempts to visually display the perceptions of customers or potential customers. Typically the position of a product, product line, brand, or company is displayed relative to their competition. Perceptual maps can have any number of dimensions but the most common is two dimensions. [65]

Perceptual maps need not come from a detailed study. There are also intuitive maps (also called judgmental maps or consensus maps) that are created by marketers based on their understanding of their industry. [66]

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[63] Kapferer; "Strategic Brand Management", 2nd edition, p. 97
[64] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 128
[65] http://en.wikipedia.org/wiki/Perceptual_Mapping
[66] http://en.wikipedia.org/wiki/Perceptual_Mapping

Perceptual maps offer shorthand, which is easier for managers to digest. But it is very important that the dimensions of these product positioning maps should reflect those that are important to the customer, not just those that the supplier favors. Such knowledge can be a great deal of money to the supplier who is able to use it optimally to position the brand where it becomes most attractive to the targeted market segment. [67]

## 2.2.3.2 Approaches for Positioning

Following is list of approaches companies use to position their products:

- **Attributes**: it's a product trait or characteristic that sets the product apart from its competitors.
- **Competition**: contrasting a particular brand relative to a competing brand.
- **Use or application**: positioning a brand based on a particular use or application
- **Price- quality**: using the price quality relationship to set a product apart from its competitors.
- **Product user**: distinguishing a product from its competitors based on who uses it.
- **Product class**: identifying a particular product by the product class within which it wishes to compete.
- **Cultural symbol**: identifying a product with a well known cultural symbol. [68]

## 2.2.4 Types of Advertising Appeals

Seven major types of appeals have been the most successful. Advertisers usually select from one of these types of appeals as they develop the advertisement:

- Fear
- Humor
- Sex
- Music
- Rationality
- Emotions
- Scarcity

The particular appeal should be based on a review of the creative brief, the objective of the advertisement, and the means-end chain to be conveyed. The actual choice depends on a number of factors, including the product being sold, the personal preferences of the advertising creative and the account executive, as well as the wishes of the client. In determining the best appeal to use, it is often a question of what appeals would be inappropriate. Advertising experts know that certain appeals are less effective at various times. [69]

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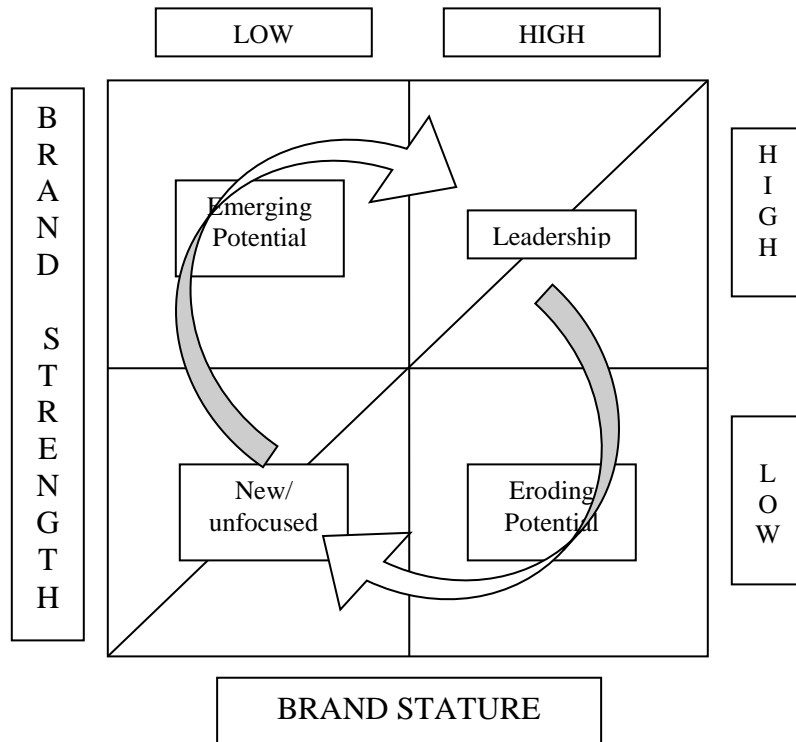[67] Czinkota & Kotabe; "Marketing Management", 2nd edition, p. 212
[68] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p.129
[69] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 306

### 2.2.4.1 Fear

Advertisers use fear to sell a variety of products. It increases both the viewer's interest in an advertisement and the persuasiveness of that ad. Many individuals remember advertisements with fear appeals better than they do warm, upbeat messages. Fear is used more often than the casual observers realize. [70]

### 2.2.4.2 Humor

Clutter is a significant problem in any advertising medium. This makes capturing someone's attention quite difficult. Once the advertiser has the audiences' attention, keeping that attention becomes even more challenging. Humor has proven to be one of the best techniques for cutting through the clutter. Humor is effective both in getting attention and keeping it. [71]

### 2.2.4.3 Sex

As advertisers look for ways to break through the advertising clutter, they use sexual appeals with increasing regularity. Subliminal approaches place sexual cues or icons in advertisements to affect a viewer's subconscious mind. [72]

### 2.2.4.4 Music

Music is an extremely important component in advertising. Music helps capture the attention of listeners and is linked to emotions, memories, and other experiences. Music gains attention and increases the retention of visual information at the same time. Musical memories are often stored in long-term recall areas of the brain.

The creative must select the correct type of music, from whimsical, to dramatic, to romantic. A match between the music and the ad theme can lead to a strong favorable reaction by the viewer or listener. [73]

### 2.2.4.5 Rationality

Rational appeals are normally based on the ELM (Elaboration likelihood model) approach or the hierarchy of effects model. The ELM approach assumes consumers use rational thought processes when making purchase decisions. The goal of a rational appeal is to provide the information needed to help make the decision.

To be successful, rational appeals rely on consumers actively processing the information presented in an advertisement. Print media offers the best outlets for rational appeals. Print ads allow readers greater opportunities to process copy information. They can pause and take time to read the content. [74]

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[70] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 306
[71] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 309
[72] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 311
[73] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 320
[74] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 322

### 2.2.4.6 Emotions

These are based on three ideas. First, consumers ignore most advertisements. Second, rational appeals go unnoticed unless the consumer is in the market for a particular product at the time it is advertised. Third and most important, emotional advertising can capture a viewer's attention and help develop an attachment between consumer and brand.

Most creatives view emotional advertising as the key to developing brand loyalty. Creatives want consumers to feel a bond with the brand. Emotional appeals reach the more creative side of the brain. Visual cues in ads are important in emotional appeals. Television is one of the best media for emotional appeals. [75]

### 2.2.4.7 Scarcity

When there is limited supply of product, the value of the product increases. Scarcity appeals urge consumers to buy a particular product because of a limitation. The limitations can be limited number of products available or, more often, that the product is only available for a limited time. The scarcity appeal is often used with other promotional tools. [76]

## 2.2.5   Message Strategies

### 2.2.5.1 The Message Theme

It is an outline of the key idea(s) that the advertising program is supposed to convey. The message theme is the benefit or the promise the advertiser wants to use to reach consumers or businesses. [77]

### 2.2.5.2 Message Strategies

The message theme can be created using a number of message strategies. A message strategy is the primary tactic used to deliver the message theme. There are four broad categories of message strategies: [78]

- Cognitive strategies
- Affective strategies
- Co-native strategies
- Brand strategies

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[75] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 323

[76] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 326

[77] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 243

[78] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 339

The first three represent the components of attitudes.

### 2.2.5.2.1 Cognitive Strategies

A cognitive message strategy is the presentation of rational arguments or pieces of information to consumers. The advertisement's key message focuses on the product's attributes or the benefits customers obtain from using the product. [79]

There are five major forms of cognitive strategies:

- **Generic messages** are direct promotions of product attributes or benefits without any claim of superiority.
- **Preemptive messages** are claims of superiority based on a specific attribute or benefits of a product.
- A **unique selling proposition** is an explicit, testable claim of uniqueness or superiority that can be supported or substantiated in some manner.
- The **hyperbole** approach makes an untestable claim based upon some attribute or benefit.
- The final cognitive message strategy is a **comparative advertisement** where an advertiser directly or indirectly compares a good to the competition.

### 2.2.5.2.2 Affective Strategies

Affective message strategies invoke feelings and emotions and match them with the product, service or company. They try to enhance the likeability of the product, recall of the appeal, or comprehension of the advertisement. Affective strategies elicit emotions that, in turn, affect the consumer's reasoning process and finally lead to action. [80]

There are two major forms of affective strategies:

- **Resonance advertising** attempts to connect a product with a consumer's experiences to develop stronger ties between the product and the consumers.
- **Emotional advertising** attempts to elicit powerful emotions that eventually lead to product recall and choice.

### 2.2.5.2.3 Co-native Strategies

Co-native messages strategies are designed to lead more directly to some type of consumer behavior. This can be used to support other promotional efforts, such as coupon redemption programs, internet hits and orders, in-store offers such as buy-one-get-one-free. The goal of this strategy is to elicit behavior. [81]

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[79] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 339
[80] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 342
[81] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 343

Conative strategies could be:

- **Action-inducing conative advertisements,** those create situations in which cognitive knowledge of the product or affective liking of the product may come later (after the actual purchase) or during product usage.
- **Promotional support conative advertisements** are designed to support other promotional efforts.

### *2.2.5.2.4 Brand Strategies*

The final category of message strategy is not directly oriented to consumer attitudes. Instead, brand message strategies build or enhance the brand or corporate name in some way. [82]

Brand strategies can be placed in following four categories:

- **Brand user strategies** focus on type of individuals that use a particular brand.
- A **brand image strategy** works towards the development of a 'brand personality'. In brand image advertising, the focus is on the brand rather than the user.
- **Brand usage messages** stress the different uses for a particular brand.
- **Corporate advertising** promotes the corporate name and image rather than the individual brand.

The primary goal of each of these brand strategy approaches is to develop the brand including its image, awareness of the brand, and positive reactions to the brand. The message strategy is a key component of every advertising program. To be effective, the message strategy must be matched carefully with the media used and the executional framework. [83]

## 2.2.6  Executional Frameworks

An executional framework is the manner in which an ad appeal is presented. The ad appeal is like the script in a movie (e.g., comedy, drama, action film). The ad appeal spells out the overriding format to be used. A few of the executional frameworks include:[84]

### 2.2.6.1 Animation

Animation is mostly used in television spots, although it can also be produced for movie trailers and internet ads. Single shots of animated characters can also be placed into print ads. Greater sophistication of computer graphics programs has increased the use of this frame work in the recent years. [85]

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[82] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 344
[83] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 345
[84] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 346
[85] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 347

## 2.2.6.2 Slice-of-Life

In slice-of-life commercials, advertisers attempt to provide solutions to the everyday problems that consumers face. These adverts normally show common things people experience, especially problems they encounter. Then the good is made available to solve the problem.

The most common slice-of-life format has four components:

- Encounter
- Problem
- Interaction
- Solution

Actors portray the dilemma or problem and sometimes solve the problems themselves. In others, a voice-over explains the benefits or solutions to the problem that the product provides. Slice-of-life executional frameworks are possible in most media, including magazines or billboards, because a single picture can depict a normal, everyday situation or problem. The secret is to let one image tell the entire story, with the product being the solution. [86]

## 2.2.6.3 Dramatization

A dramatization is similar to slice-of-life executional framework. It uses the same format of presenting a problem, then a solution. The difference lies in the intensity and story-format. Dramatization uses a high level of excitement and suspense to tell the story. A dramatization story normally builds o a crisis point. [87]

## 2.2.6.4 Testimonials

A testimonial type of executional framework has been successful for many years. When a consumer in an advert tells about the positive experience with a product, this is a testimonial. One major reason companies choose testimonials is hat they enhance company credibility. Endorsers and famous individuals do not always have high levels of credibility because consumers know they are being paid for their endorsements. [88]

## 2.2.6.5 Authoritative

In using authoritative executional framework, an advertiser seeks to convince viewers that a given product is superior to other brands. One form is expert authority. These ads employ a physician, dentist, engineer or chemist to state the product's advantages over other products.

Many authoritative adverts include some type of scientific or survey evidence. This approach assumes consumers rely on ELM (elaboration likelihood model) approach. When they do, the authoritative approach works most effectively in print ads when

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[86] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 348
[87] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 350
[88] Clow & Baack; "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 350

buyers take the time to read the claim or findings the advert provides. Authoritative ads work especially well in specialty magazines. [89]

## 2.2.6.6 Demonstration

Advertisements using the executional framework show how a product works. A demonstration is an effective way to communicate the attributes of a product to viewers. Other product benefits can be described as the product is exhibited. Demonstration ads are specially suited to television. [90]

## 2.2.6.7 Fantasy

Some products lend themselves to the fantasy type of executional framework. Fantasy executions are designed to lift the audience beyond the real world to make-believe experience. Some fantasies are meant to be realistic. Others are completely irrational. Often the more irrational and illogical, the more consumers recall theme. The most common fantasy themes are still sex, love and romance. [91]

## 2.2.7 Advertising Media Selection

## 2.2.7.1 Media Planning

Media planning begins with a careful analysis of the target market. One method of addressing media planning is to approach it from the customer's view point. The idea is to plot the choices in media that a specific, defined target market might experience through the course of a typical day. This helps identify the media that would be best suitable for a particular product type. [92]

## 2.2.7.2 Media Selection

Effectively mixing media is an important part of designing quality advertising. In order to do so, the advantages and disadvantages of each individual medium must be understood so that an advertising campaign uses successful combination. The various forms of advertising media with their pros and cons are listed in the following table:

**Table 2-2: Advertising Media Characteristics**

| Media | Advantages | Disadvantages |
|---|---|---|
| Television | Mass coverage | Low selectivity |
| | High reach | Short message life |
| | Impact of sight, sound & motion | High absolute cost |
| | High prestige | High production cost |
| | Low cost per exposure | Clutter |
| | Attention getting | |
| | Favorable image | |

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[89] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 351
[90] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 353
[91] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p. 353
[92] Clow & Baack, "Integrated Advertising, Promotion & Marketing Communication", 1st edition, p.257

| Radio | Local coverage | Audio only |
|---|---|---|
| | Low cost | Clutter |
| | High frequency | Low attention getting |
| | Flexible | Fleeting message |
| | Low production cost | |
| | Well segmented audiences | |
| Magazines | Segmentation potential | Long lead time for ad placement |
| | Quality reproduction | Visual only |
| | High information content | Lack of flexibility |
| | Longevity | |
| | Multiple readers | |
| Newspapers | High coverage | Short life |
| | Low cost | Clutter |
| | Short lead time for placing ads | Low attention getting capabilities |
| | Ads can be placed in interest sections | Poor reproduction quality |
| | Timely(current ads) | Selective reader exposure |
| | Reader controls exposure | |
| | Can be used for coupons | |
| Outdoor | Location specific | Short exposure time requires short ad |
| | High repetition | Poor image |
| | Easily noticed | Local restrictions |
| Direct mail | High selectivity | High cost/contact |
| | Reader controls exposure | Poor image (junk mail) |
| | High information content | Clutter |
| | Opportunities for repeat exposures | |

**Source: Keller, "Strategic Brand Management", 1st edition, p. 224**

## 2.2.8  The FCB Grid

The FCB Grid uses involvement (high-low) and think/feel as the two dimensions for classifying product categories. This classification suggests that purchase decisions are different when thinking is mostly involved and others are dominantly involved with feeling. In addition, different situations also exist, resulting in decision-making processes which require either more or less involvement. The product category matrix is fabricated using these two dimensions. [93]

Vaughn developed a planning model by pulling together the major theories of consumer behavior and advertising to make the FCB Grid. Vaughn (1980) reviewed four traditional theories of advertising effectiveness from which effects on marketing have been noticeable. With this FCB Grid, advertisers can develop advertising strategy according to

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[93] http://www.ciadvertising.org

consumers' relations towards a product according to information (learn), attitude (feel) and behavior (do) issues. [94]

**Figure 2-4: The FCB Grid**



THINKING ⟶ FEELING

| | | |
|---|---|---|
| **HIGH INVOLVEMENT** | **1. INFORMATIVE (THINKER)**<br>CAR-HOUSE-FURNISHINGS-<br>NEW PRODUCTS<br>MODEL: LEARN-FEEL-DO<br>(Economic?)<br><br>Possible Implications<br>TEST: Recall<br>Diagnostics<br>MEDIA: Long Copy Format<br>Reflective Vehicles<br>CREATIVE: Specific Information<br>Demonstration | **2. AFFECTIVE (FEELER)**<br>JEWELRY-COSMETICS-<br>FASHION APPAREL-MOTORCYCLES<br>MODEL: FEEL-LEARN-DO<br>(Psychological?)<br><br>Possible Implications<br>TEST: Attitude Change<br>Emotion Arousal<br>MEDIA: Large Space<br>Image Specials<br>CREATIVE: Executional<br>Impact |
| **LOW INVOLVEMENT** | **3. HABIT FORMATION (DOER)**<br>FOOD-HOUSEHOLD ITEMS<br>MODEL: DO-LEARN-FEEL<br>(Responsive?)<br><br>Possible Implications<br>TEST: Sales<br>MEDIA: Small Space Ads<br>10 Second I.D.'s<br>Radio; POS<br>CREATIVE: Reminder | **4. SELF-SATISFACTION (REACTOR)**<br>CIGARETTES-LIQUOR-CANDY<br>MODEL: DO-FEEL-LEARN<br>(Social?)<br><br>Possible Implications<br>TEST: Sales<br>MEDIA: Billboards<br>Newspapers<br>POS<br>CREATIVE: Attention |

**Source: CIA Advertising, 2006**

## 2.3 An Overview of Consumer Behavior

Consumer behavior can be defined as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires. For many products and services, purchase decisions are a result of a long, detailed process that may include and extensive information search, brand comparisons and evaluations, and other activities. Other purchase decisions are more incidental and may result form little more than seeing a product prominently displayed at a discount price at a store. [95]

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[94] http://www.ciadvertising.org
[95] Belch & Belch; "Advertising & Promotion", 4th edition, p.103

### 2.3.1  The Motivation Process

Motivation refers to the process that lead people to behave as they do. It occurs when a need is aroused that the consumer wishes to satisfy. Once a need has been activated, a state of tension exists that drives the consumer to attempt to reduce or eliminate the need. This need may be utilitarian (i.e., a desire to achieve some functional or practical benefit) or it may be hedonic (i.e., an experiential need, involving emotional responses or fantasies). The desired end state is the consumer's goal. [96]

Whether the need is hedonic or utilitarian, a discrepancy exists between the consumer's present state and some ideal state. This gulf creates a state of tension. The magnitude of this tension determines the urgency the consumer feels to reduce the tension. This degree of arousal is called a drive. A basic need can be satisfied in any number of ways, and the specific path a person chooses is influenced both by his or her unique set of experiences and by the values instilled by the culture in which the person has been raised. [97]

These personal and cultural factors combine to create a want, which is one manifestation of need. The specific route to drive reduction is culturally and individually determined. Once the goal is attained, tension is reduced and the motivation recedes. [98]

### 2.3.2  Needs versus Wants

The specific way a need is satisfied depends on the individual's unique history, learning, experiences, and cultural environment. A want is a particular form of consumption used to satisfy a need. [99]

### 2.3.2.1 Types of Needs; Maslow's Hierarchy of Needs

People are born with a need for certain elements necessary to maintain life, such as food, water, air and shelter. These are called Biogenic needs. Abraham Maslow proposed a hierarchy of biogenic and psychogenic needs that specifies certain level of motives. [100]

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[96] Solomon, "Consumer Behavior", 6th edition, p.114
[97] Solomon, "Consumer Behavior", 6th edition, p.114
[98] Solomon, "Consumer Behavior", 6th edition, p.115
[99] Solomon, "Consumer Behavior", 6th edition, p.117
[100] Solomon, "Consumer Behavior", 6th edition, p.121

**Figure 2-5: Levels of Needs in Maslow's Hierarchy**

| Upper Level Needs |
| --- |

**Self Actualization**
Self fulfillment, enriching experience
e.g., Hobbies, Travel, Education etc

↓

**Ego Needs**
Prestige, Status, Accomplishment
e.g., Cars, Furniture, Credit Cards etc

↓

**Belongingness**
Love, Friendship, Acceptance by Others
e.g., Clothing, Grooming Products etc

↓

**Safety**
Security, Shelter, Protection
e.g., Insurance, Retirement, Investments

↓

**Physiological**
Water, Sleep, Food
e.g., Medicine, Generics etc

| Lower Level Needs |
| --- |

**Source: Solomon, "Consumer Behavior", 6th edition, p. 122**

## 2.3.3  The Consumer Decision Making Model

The consumer's decision making model is generally viewed as consisting of steps through which a buyer passes in purchasing a product or service. This model shows that decision making involves a number of internal psychological processes. Motivation, perception, attitude formation, integration and learning are important to promotional planners, since they influence the general decision making process of the consumers. [101]

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[101] Belch & Belch; "Advertising & Promotion", 4th edition, p.103

**Figure 2-6: Stages in Consumer Decision-Making Process**

| Problem Recognition | → | Information Search | → | Alternative Evaluation | → | Purchase decision | → | Post purchase Evaluation |

**Source: Belch & Belch; "Advertising & Promotion", 4th edition, p. 103**
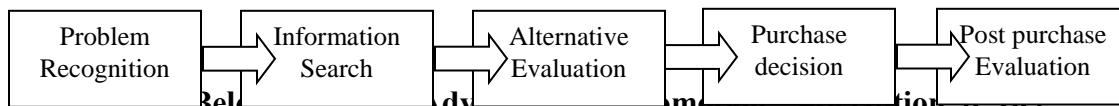
## 2.3.3.1 Problem Recognition

The stage at which the consumer perceives a need and becomes motivated to solve the problem, thus problem recognition stage initiates the subsequent decision making process. Problem recognition is caused by a difference between a consumers' ideal state and the actual state. [102]

### 2.3.3.1.1 Sources of Problem Recognition

The causes of problem recognition may be very simple or very complex and may result form changes in consumers current and/or desired state. These causes may be influenced by both internal and external factors. Some of them could be: [103]

- **Out of stock**: when existing supply of a product is used and consumers need to replenish their stock.
- **Dissatisfaction**: when consumer is dissatisfied with the current state of affairs and/or the product or service being used.
- **New needs/ wants**: changes in consumer's lives often may result in new needs, triggering problem recognition.
- **Related products/ purchases**: problem recognition can also be stimulated by the purchase of another product.
- **Marketer induced problem recognition**: another source is the marketer's actions that encourage consumers not to be content with their current state or situation. Marketers also take advantage of the consumers' tendency toward novelty-seeking behavior.
- **New products**: when innovative products are introduced and brought to the consumer's attention.

### 2.3.3.1.2 Information Search

Second step in consumer decision making process is information search. Once consumers perceive a problem or need that can be satisfied by the purchase of a product or service, they begin to search for information needed to make the purchase decision. It could be done through: [104]

- **Internal search**:
  - o Past experiences and/or knowledge regarding various purchase alternatives.
- **External search**:
  - o Personal sources; friends, relatives, coworkers.

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[102] Belch & Belch; "Advertising & Promotion", 4th edition, p.103
[103] Belch & Belch; "Advertising & Promotion", 4th edition, p.104
[104] Belch & Belch; "Advertising & Promotion", 4th edition, p.111

- o Marketer controlled commercial sources; information from advertising, sales people or point of purchase displays and materials.
- o Public sources; articles in magazines and newspapers and reports on TV.

### *2.3.3.1.3 Alternative Evaluation*

After acquiring information during the information search stage of the decision making process, the consumers moves to alternative evaluation. In this stage, consumer compares the various brands or products he or she has identified as being capable of solving the consumption problem and satisfying the needs or motives that initiated the decision process. The various brands identified as purchase options to be considered during the alternative evaluation process are referred to as the consumer's evoked set. [105]

#### 2.3.3.1.3.1   The Evoked Set

The evoked set in generally only a subset of all the brands of which the consumer is aware. The consumer reduces the number of brands to be reviewed during the alternative evaluation stage to a manageable level. The goal of most advertising and promotional campaigns is to increase the likelihood that a brand will be included in the consumer's evoked set and considered during alternative evaluation. [106]

### *2.3.3.1.4 The Purchase Decision*

At some point in the buying process, the consumer must stop searching for and evaluating information alternative brands in the evoked set and makes a purchase decision. As an outcome of the alternative evaluation stage, the consumer may develop a purchase intention or predisposition to buying certain brand. Purchase intention is generally based on a matching of the purchase motives with the attributes of the brand under consideration.

A purchase decision is not the same as an actual purchase. Once a consumer chooses which brand to buy, he or she must still implement the decision and make the actual purchase. Additional decisions may also be needed, such as when to buy, where to buy, and how much money to spend. [107]

### *2.3.3.1.5 Post-purchase Evaluation*

The consumer decision process does not end with the purchase. After using the product or service, the consumer compares the level of performance with the expectations and is wither satisfied or dissatisfied. Satisfaction occurs when the consumer's expectation are either met or exceeded, and dissatisfaction results when performance is below expectations.

The post purchase evaluation is important because the feedback acquired from the actual use of a product will influence the likelihood of future purchases. Positive performance

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[105] Belch & Belch; "Advertising & Promotion", 4th edition, p.114
[106] Belch & Belch; "Advertising & Promotion", 4th edition, p.114
[107] Belch & Belch; "Advertising & Promotion", 4th edition, p.119

means that the brand is retained in the evoked set and increases the likelihood that it will be purchased again, and vice versa. [108]

## 2.3.4 Environmental Influences on Consumer Behavior

The consumer does not purchase decision in isolation. A number of external factors have been identified that may influence consumer decision making. Flowing figure shows those factors. [109]

**Figure 2-7: External Influences on Consumer Behavior**
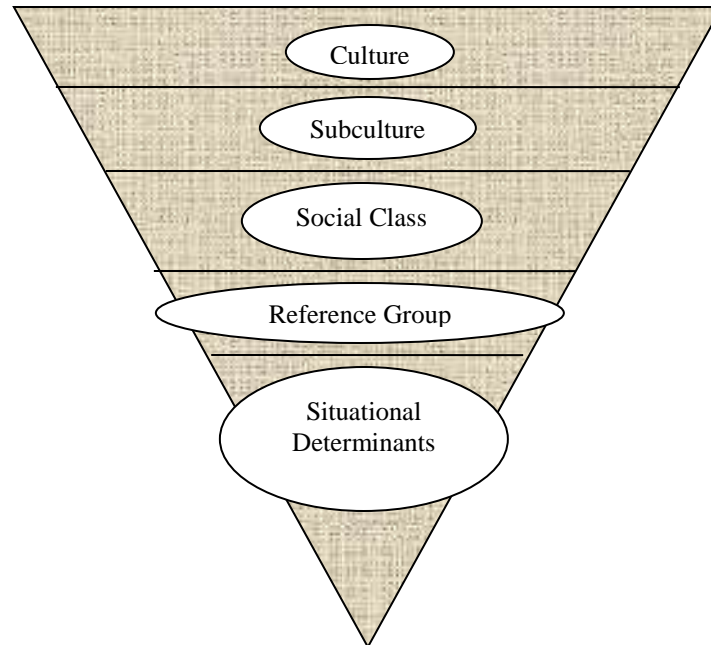


**Source: Belch & Belch, "Advertising & Promotion", 4th edition, p. 128**

### 2.3.4.1 Culture

The broadest and most abstract of the external factors that influence consumer behavior is the culture, or the complexity of the learned meanings, values, norms, and customs shared by members of a society. Cultural norms and values offer direction and guidance to members of a society in all aspects of their lives, including their consumption behavior. [110]

### 2.3.4.2 Subculture

With in a given culture are generally found smaller groups or segments whose beliefs, values, norms, and patterns of behavior set them apart from the cultural mainstream. These subcultures may be based on age, geographic, religious, racial and/or ethnic differences. [111]

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[108] Belch & Belch; "Advertising & Promotion", 4th edition, p.120
[109] Belch & Belch; "Advertising & Promotion", 4th edition, p.128
[110] Belch & Belch; "Advertising & Promotion", 4th edition, p.128
[111] Belch & Belch; "Advertising & Promotion", 4th edition, p.128

## 2.3.4.3 Social Class

Virtually all societies exhibit some form of stratification where individuals can be assigned to specific social category based on criteria important to members of that society. Social class refers to relatively homogenous divisions in a society in which people sharing similar lifestyles, values, norms, interests, and behaviors can be grouped.

Social class is an important concept to marketers, since consumers within each social stratum often have similar values, lifestyles and buying behaviors. Thus, the various social class groups provide a natural basis for market segmentation. Consumers in different social class groups differ in the degree to which they use various products and services and in their leisure activities, shopping patterns and media habits. Marketers respond to these differences through the positioning of their products and services, the media strategies they use to reach different social classes, and the type of advertising appeals they develop. [112]

## 2.3.4.4 Reference Group

A group has been defined as "two or more individuals who share a set of norms, values, or beliefs and have certain implicitly or explicitly defined relationships to one another such that their behavior is interdependent". Groups are one of the primary factors influencing learning and socialization, and group situations constitute many of our purchase decisions.

A reference group is "a group whose presumed perspectives or values are being used by an individual as the basis for his or her judgments, opinions or actions". Consumers use reference groups as a guide to specific behavior, even when the groups are not present. [113]

### 2.3.4.4.1 Family Decision Making

Family members may serve as referents to each other, or they actually be involved in the purchase decision process – acting as an individual buying unit. Family members may assume a variety of roles in the decision-making process. [114]

- **Initiator:** the person responsible for initiating the purchase decision process.
- **The information provider:** the person responsible for gathering information to be used in making the decision.
- **The influencer**: the person who exerts influence as to what criteria will be used in the selection process.
- **The decision maker(s):** that person(s) who actually makes the decision.
- **The purchasing agent:** that individual who performs the physical act of making the purchase.
- **The consumer:** the actual user of a product.

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[112] Belch & Belch; "Advertising & Promotion", 4th edition, p.130
[113] Belch & Belch; "Advertising & Promotion", 4th edition, p.130
[114] Belch & Belch; "Advertising & Promotion", 4th edition, p.131

## 2.3.4.5 Situational Determinants

The final external factor is the purchase and usage situation. The specific situations in which consumers plan to use the product or brand directly affects their perceptions, preferences and purchasing behavior. Three types of situational determinants may have an effect: [115]

- **Usage** refers to the circumstances in which the product will be used.
- **Purchase situation** more directly involves the environment operating at the time of purchase.
- **Communications situation** is the condition in which an advertising exposure occurs.

## 2.3.5  Self Concept and Consumption

### 2.3.5.1 The Self Concept

Self concept refers to the beliefs that a person hold about his or her own attributes and how he or she evaluates these qualities. Self esteem refers to the positivity of a person's self concept. Ideal self is a person's conception of how he/ she would like to be and actual self refers to our more realistic appraisal of the qualities we have and don't have.[116]

The ideal self is partly molded by elements of the consumer's culture, such as heroes or people depicted in the advertising, who serve as models of achievement or appearance. We might purchase products because we believe they will be instrumental in helping us achieve these goals. We choose some products because we believe that they are consistent with our actual self, while we buy others to help us to reach the standard set by the ideal self. [117]

### 2.3.5.2 Consumption and Self Concept

Reflected self helps to shape self-concept, which implies that people see themselves as they imagine others see them. Because what others see includes a person's clothing, jewelry, furniture, car, and so on. A consumer's possessions place him or her into a social role, which helps to answer a question, "who am I now?" We make inferences about personality based on a person's choice of leisure activities, food preferences, cars, home decorating choices, and so on. [118]

Symbolic self conception theory suggests that people who have an incomplete self definition tend to complete this identity by acquiring and displaying symbols associated with it. Adolescent boys, for example, may use "macho" products to such as cars and cigarettes to bolster their developing masculinity; these items act as "social crutch".

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[115] Belch & Belch; "Advertising & Promotion", 4th edition, p.132
[116] Solomon, "Consumer Behavior", 6th edition, p.150
[117] Solomon, "Consumer Behavior", 6th edition, p.151
[118] Solomon, "Consumer Behavior", 6th edition, p.154

Because many consumption activities are related to self definition, consumers demonstrate consistency between their values and the things they buy. [119]

## 2.3.6 Values and Attitudes

### 2.3.6.1 Values

A value is a belief that some condition is preferable to its opposite. Every culture has a set of values that it imparts to its members. People in one culture might feel that being a unique individual is preferable to subordinating one's identity to the group, whereas another culture may emphasize the virtues of group membership. Although it is believed that values are universal, but the difference lies in the relative importance or ranking of these universal values. [120]

Marketers, for the sake of convenience, have made broad distinctions among values, some of which are:

- **Cultural** values such as security or happiness
- **Consumption** specific values such as convenient shopping or prompt service and,
- **Product** specific values such as ease of use or durability

### 2.3.6.2 Attitudes

According to Gordon Allport's classic definition, "attitudes are learned predispositions to respond to an object." More recent perspectives view attitudes as a summary construct that represents an individual's overall feelings towards or evaluation of an object. Consumers hold attitudes about a variety of objects that are important to the marketers, including individuals, brands, companies, product categories, retail stores or even advertisements. [121]

Another definition of attitude is "the lasting, general evaluation of people, objects, advertisement or issues." An attitude is lasting because it tends to endure over time and it is general because it applies to more than a momentary event.

### 2.3.6.3 The ABC Model of Attitude

Most researchers agree that an attitude has three components: Affect, behavior and cognition.

- **Affect** refers to the way a consumer feels about an attitude object.
- **Behavior** involves the person's intentions to do something with regard to an attitude object.
- **Cognition** refers to the beliefs a consumer has about an attitude object.

These three components of an attitude can be remembered as the ABC model of attitudes.

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[119] Solomon, "Consumer Behavior", 6th edition, p.155
[120] Solomon, "Consumer Behavior", 6th edition, p.131
[121] Belch & Belch; "Advertising & Promotion", 4th edition, p.117

This model emphasizes the interrelationships among knowing, feeling and doing. All three components are important but their relative importance will vary depending on a consumer's level of motivation with regard to the attitude object. Attitudes researchers have developed the concept of a hierarchy of effects to explain the relative impact of the three components.

### 2.3.6.3.1 The Standard Learning Hierarchy

It is based on cognitive information processing. A consumer in this model approaches a product decision as a problem solving process. First he or she forms a belief about a product by accumulating knowledge (beliefs) regarding relevant attributes. Next the consumer evaluates these beliefs and forms a feeling about the product (affect). Finally, based on this evaluation, the consumer engages in a relevant behavior.

**Figure 2-8: The Standard Learning Hierarchy**

| Beliefs | ⇒ | Affect | ⇒ | Behavior |

**Source: Solomon, "Consumer Behavior", 6th edition, p. 227**

### 2.3.6.3.2 Low Involvement Hierarchy

In this hierarchy, the consumer does not initially have a strong preference for one brand over another, but instead acts on the basis of limited knowledge and then forms an evaluation only after the product has been purchased or used.

**Figure 2-9: Low-involvement Hierarchy**

| Beliefs | ⇒ | Behavior | ⇒ | Affect |
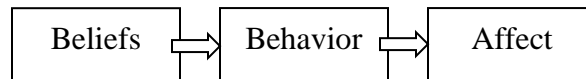
**Source: Solomon, "Consumer Behavior", 6th edition, p. 227**

### 2.3.6.3.3 Experiential Hierarchy

According to this hierarchy, consumers act on the basis of their emotional reactions.

**Figure 2-10: Experiential Hierarchy**

| Affect | ⇒ | Behavior | ⇒ | Beliefs |
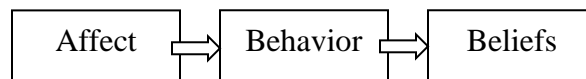
**Source: Solomon, "Consumer Behavior", 6th edition, p. 227**

# 3 Research Methodology

## 3.1 What is Research?

Research is often described as an active, diligent, and systematic process of inquiry aimed at discovering, interpreting, and revising facts. This intellectual investigation produces a greater understanding of events, behaviors, or theories, and makes practical applications through laws and theories. The term research is also used to describe a collection of information about a particular subject.

The word *Research* is derived from Middle French and its literal meaning is 'to investigate thoroughly'. [122]

### 3.1.1 Characteristics of Research

Research has the following characteristics: [123]

- Research gathers new knowledge or data from primary or first hand sources.
- Research is expert, systematic and accurate investigation.
- Research is logical and objective.
- Research endeavors to organize data in quantitative terms.
- Research is carefully recorded and reported.
- Research is patient and unhurried and it requires courage.
- Research usually involves, as a step, a hypothesis.

## 3.2 Research Objectives

The major objectives of this thesis are:

- To study the dominating factors consumers have in their minds before opting for a car.
- To explore the perceptions consumers have about various brands/models of cars.
- To determine the role advertisement is playing in building or shaping those perceptions.
- To analyze whether these young adults are brand loyals or switchers and which circumstances make them switch.
- To investigate whether parents, friends and other family members have any significant role to play in the choice of car for these young adults.
- To find out whether car is just a mode of transportation or is it a status symbol and an element of pride or prestige for these young adults.

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[122] http://en.wikipedia.org/wiki/Market_research
[123] Malik; "Meliorism of Research Methodology", 1st edition, p.08

# 3.3  Steps in Research Design Process

**Figure 3-1: The Marketing Research Process**

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                    ┌─────────────────────────┐
                    │    Define the problem    │
                    └─────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │ Determine research design│
                    └─────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │ Identify data types & sources│
                    └─────────────────────────┘
                               ↓
                    ┌──────────────────────────────────┐
                    │ Design data collection forms & questionnaire│
                    └──────────────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │ Determine sample plan & size│
                    └─────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │     Collect the data     │
                    └─────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │ Analyze & interpret the data│
                    └─────────────────────────┘
                               ↓
                    ┌─────────────────────────┐
                    │ Prepare the research report│
                    └─────────────────────────┘
```
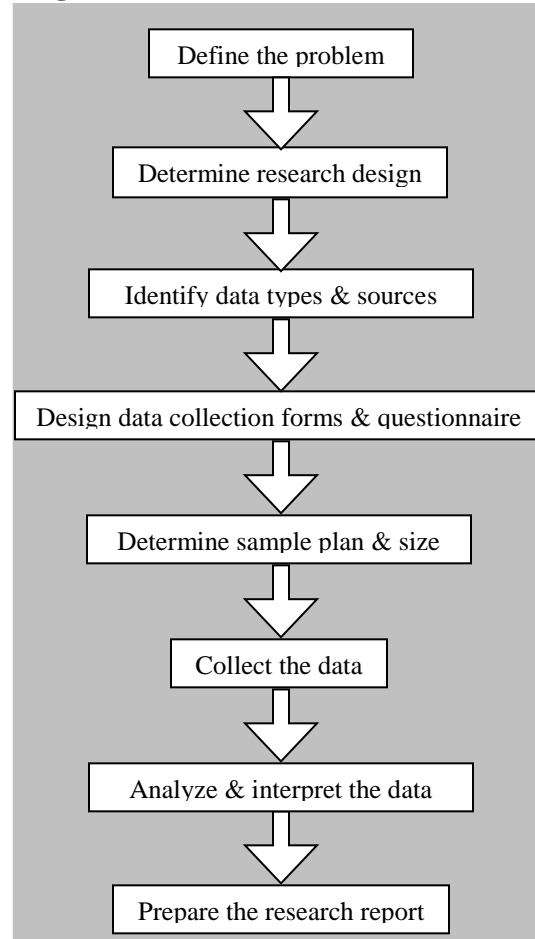
**Source: http://www.quickMBA.com, 2006**

## 3.3.1  Step 1; Define the Problem

### 3.3.1.1 Hypothesis Development

A hypothesis is a statement that is assumed to be true for the purpose of testing its validity. A hypothesis can be put in the form of an If-then statement: If A is true, then B should follow. The statement must be one that is either true or false. [124]

A hypothesis may be rejected but the hypothesis can never be unconditionally accepted until all possible evidence is evaluated. In the case of sampled data, the information set cannot be complete. So if a test using such data does not reject a hypothesis, the conclusion is not necessarily that the hypothesis would be accepted.

Hypothesis can be in any form except in the form of a question. They are generally translations of the research questions and can be generated in many ways. They can be

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[124] McBurney; "Research Methods", 5th edition, p.20

developed for instance through existing theories, they can be based on social policy, research findings of other studies or from the intuition or findings from exploratory studies especially designed for this purpose.

For this research paper following hypotheses have been formulated, which would provide a clear framework and a guide when collecting, analyzing and interpreting data.

**H 1: For young adults, the choice of cars is dependent upon the perception of the car and not just the technical features.**

This hypothesis is made keeping in mind that there is a tendency among young adults that they go for the general perceptions of the car before making a purchase decision, because they are more concerned about their self image and the life style and personality they want to portray in front of their reference group. Although they do consider the technical features but the relative importance given to that is not that high as compared to the perception of the car.

**H2: Level of brand loyalty for cars is not very high among young adults.**

The reason behind formulating this hypothesis is that young adults are easily persuaded by sales and promotional activities and they have a tendency to switch to other brands if a new model is offered by the other brand and that is able to create some hype. Thus they are not very much brand loyal.

## 3.3.2  Step 2; Determine Research Design

### 3.3.2.1 Types of Research

Major types of research are as follows. These classifications are made according to the objective of the research. In some cases the research will fall into one of these categories, but in other cases different phases of the same research project will fall into different categories.

#### 3.3.2.1.1 Exploratory Research

Exploratory research has the goal of formulating problems more precisely, clarifying concepts, gathering information, gaining insights, eliminating impractical ideas and forming hypothesis. This research is usually undertaken when there is not enough information available about the research subject. In certain cases it is undertaken in order to provide a basis for further research, for example to define certain concepts, to formulate hypotheses or to operationalize variables. [125]

#### 3.3.2.1.2 Descriptive Research

It is more rigid than exploratory research and seeks to describe users of a product, determine the proportion of population that uses that product, or determine future demand of a product. This form of research is quite common, in most cases as a preliminary study

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[125] Srantakos; "Social Research", 2nd edition, p. 07

or an explanatory study, but also as an independent investigation. It aims to describe social systems, relations or social events and providing background information about the issue in question. [126]

### 3.3.2.1.3 Causal Research

This research seeks to find cause and affect relationships between variables; it accomplishes this goal through laboratory and field experiments. [127]

## 3.3.2.2 Research Design for this Thesis

After studying the three models mentioned above, the suitable research design for this dissertation is exploratory research. Exploratory research is most appropriate when the primary objective is to define problems more precisely. It is very helpful to gain insights into a new environment, its customers, and its suppliers. Exploratory research is preferable because of the flexibility it offers. The emphasis is on qualitative rather than quantitative data collection and on quick rather than slow answers.

## 3.3.3 Step 3; Identify Data Types & Sources

## 3.3.3.1 Data, Variables and Scales of Measurement

The term **Data** as defined by Whitney (1950) is "data are the raw material or reflections, until by comparison, combination, and evaluation they are stepped up to higher levels of generalizations, where again they serve as basic materials for higher and higher thinking."

Data may be classified in various ways. Data may be objective or qualitative. They may be quantitative or qualitative. They may be attributes or variables. Data may also be classified according to the methods and type of research that the researcher may use for example historical, descriptive, sociological, and so on. Still another way to classify data as primary or secondary source, depending upon the sources of information, and as raw or deprived. [128]

**Variable** is some aspect of a testing condition that can change or take on different characteristics with different conditions. Reducing a phenomenon to variables focuses on the researcher's attention on specific events out of many that may be related to the phenomenon. [129]

Variables are measured using different scales based on the types of variable.

### 3.3.3.1.1 Scales of Measurement

Variables must be measured on some scale. Measurement is the assignment of numbers to events or objects according to rules that permit important properties of the objects or

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[126] Srantakos; "Social Research", 2nd edition, p. 06
[127] Srantakos; "Social Research", 2nd edition, p. 07
[128] Malik; "Meliorism of Research Methodology", 1st edition, p.158
[129] McBurney; "Research Methods", 5th edition, p.117

events to be represented by the properties of the number system. The key to this definition is that properties of the events are represented by properties of the number system. [130]

### 3.3.3.1.2 Types of Measurement Scales

There are four basic measurement scales a brief description of which is as follows:

- A variable is **qualitative** (or categorical) if it is simply recorded into which of the several categories a population (or sample) unit falls. There are two types of Qualitative variables, ordinal and nominative. [131]
  - o An ordinal variable is a qualitative variable for which there is a meaningful ordering or ranking of the categories. The measurement of an ordinal variable may be numerical or non-numerical.
  - o Nominative variable is a qualitative variable for which there is no meaningful ordering, or ranking, of the categories, like a person's gender or color of a car.

- A variable is **quantitative** if its possible values are numbers that represent quantities (that is "how much" or "how many"). In general a quantitative variable is measured on a scale having a fixed unit of measurement between its possible values. There are two types of Quantitative variables, ratio and interval. [132]
  - o Ratio variable is a quantitative variable measured on a scale such that ratios of its values are meaningful and there is an inherently defined zero value such as salary and height.
  - o Interval variables is a quantitative variable where ratios of its values are not meaningful and there is not an inherently defined zero value like temperature.

### 3.3.3.1.3 Likert Scale

It is one of the many types of attitude rating scales. In this method, respondents are asked to indicate their degree of agreement or disagreement with a statement. Attitudes elicited by questionnaire items are frequently measured on a 7-point or 5-point scale i.e., strongly agree, agree, don't know, disagree and strongly disagree. [133]

### 3.3.3.1.4 Semantic Differential Scale

It is to some extent similar to Likert scale. This scale was developed in 1957 and was designed originally to investigate the underlying structure of words, but have subsequently been adapted to measure images of stores, companies, brands or attitudes. They present dimensions as a series of opposites, bipolar like 'sweet…sour' or monopolar, like 'sweet… not sweet'. Respondents may be asked to indicate, usually on a 7-point or 5-point rating where between the two extremes their views lie. [134]

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[130] McBurney; "Research Methods", 5th edition, p.121
[131] Bowerman O'Connell; "Business Statistics in Practice", 3rd edition, p.20
[132] Bowerman O'Connell; "Business Statistics in Practice", 3rd edition, p.20
[133] McBurney; "Research Methods", 5th edition, p.241
[134] Kent R; "Data Construction and Data Analysis for Survey Research", 1st edition, p.35

To evaluate the responses, a snake like diagram is made after an average has been taken separately for each item across the respondents. It is then possible to compare the profiles of two or more brands.

## 3.3.3.2 Variables and Scales of Measurement for this Thesis

This research is about attitudes and personal preferences of customers of cars of a specific age group. So the type of data that will be taken from the respondents of the survey would be non-quantitative, but for measurement purposes this qualitative data would be assigned some values. Some of the data would be measured by ordinal scales and the rest would be measured by nominative scale. Likert scale and semantic differential scales will be used for calculation and measurement purposes. This would be further elaborated in the questionnaire.

## 3.3.3.3 Sources of Data

There are two basic sources of data, primary and secondary. **Primary data** is the data that is collected for the first time by the researcher just for the sake of the specific research he/she is doing, whereas **secondary data** is that data that already exists and researcher just picks it up and uses it according to his/ her requirement. Sources of secondary data could be magazines, researches done by other people, books, internet, newspapers etc.

Both primary and secondary data would be used for this research. Research already done about the brands of cars would be taken as a help to conduct this thesis. And to get insight into the preference of young adults towards the chosen brands of cars, the data would be gathered by the use of questionnaires. These questionnaires would be distributed among a selected sample of respondents and then the results would be generalized for the entire population.

## 3.3.4 Step 4; Design Data Collection Forms & Questionnaire

### 3.3.4.1 Tools of Research

To carry out any of the types of research investigation, the researcher selects the most appropriate instruments and procedures that provide the collection and analysis of data upon which hypotheses may be tested. Various options available are questionnaire, Interviews, attitude scale, observation and test and appraisal instruments. [135]

#### *3.3.4.1.1 Tools used; the Questionnaire*

It is "a list of planned, written questions related to a particular topic, with space provided for indicating the response to each question, intended for submission to a number for indicating the response to each question, intended for submission to a number of persons for reply." A questionnaire can be either structured (closed form) or unstructured (open form); the structured questionnaire asks questions and provides several possible answers.

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[135] Malik; "Meliorism of Research Methodology", 1st edition, p.159

From the several possible answers provided, the respondent is asked to select the most appropriate answer. On the other hand, unstructured questionnaire primarily asks questions but no suggested answers are given by the investigator. Structured questionnaire is easy to analyze when the sample size is quite large. [136]

**Figure 3-2: Tools of Research: Questionnaire**

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                        ┌─────────────────┐
                        │  Questionnaire  │
                        └─────────────────┘
        ┌───────────────┬────────┴────────┬───────────────┐
  ┌───────────┐  ┌───────────┐   ┌───────────────┐  ┌────────────┐
  │ Closed form│  │ Open form │   │ Pictorial form│  │ Scale item │
  └───────────┘  └───────────┘   └───────────────┘  └────────────┘
```

Source: Malik, "Meliorism of Research Methodology", 1st edition, p. 159

Questionnaire that will be used in this research is attached in the appendix.
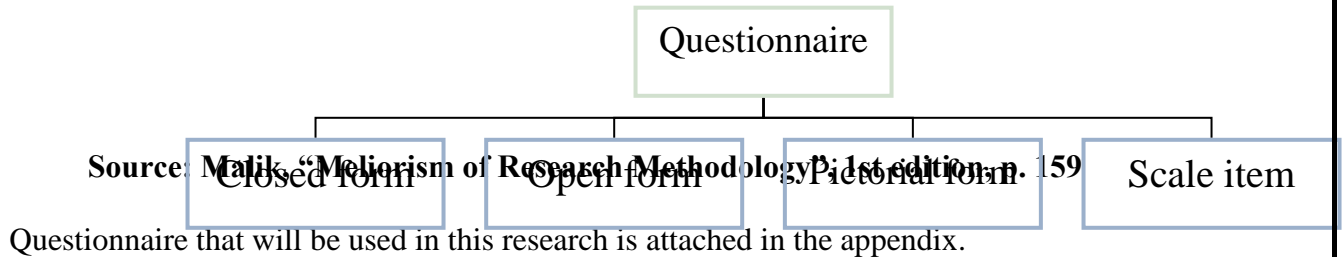
### 3.3.5   Step 5; Determine Sample Plan & Size

### 3.3.5.1 Sampling

Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. [137]

Survey research typically gathers data from a sample of a population of interest. Samples are used for many reasons: we do not have time to gather data from everyone; we do not have the money to pay for data collection from the entire population; we do not want to ask everyone in the population to take the time to give us information, either out of respect for their limited resources of time or, sometimes, we do not want the entire population exposed to our work. [138]

The critical question for sampling is how well the sample we obtain will resemble the population in which we are interested. The sample is a model of the population, so it should be similar to the population as is possible. There are various methods to obtain samples of populations and the choice of the method depends on the requirements and resources of the researcher. [139]

#### 3.3.5.1.1 Sample Size

Sample size depends on the nature of the population as well as on the purpose of the study. The sample size should be adequate enough to fairly represent the population it is meant to represent, but it should not be large enough to make the sampling procedure meaningless and the whole research process cumbersome.

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[136] Malik; "Meliorism of Research Methodology", 1st edition, p.160
[137] http://www.socialresearchmethods.net
[138] Druckman; "Doing Research", 2nd edition, p.140
[139] Druckman; "Doing Research", 2nd edition, p.140

The sample size that is taken in this research is 40 young adults, ranging from the age of 20 to 45 years.

### 3.3.5.1.2 Sampling Setup

The sample is chosen keeping in mind the age group i.e., the young adults (20years to 45 years of age) and a specific income group who can afford to own a car. They were either students or youngsters working in different (primarily private) firms to represent both the (financially) dependent and independent populations. This factor was also kept in mind that the chosen sample includes those people who have enough exposure to give a comment about the brands being asked for.

## 3.3.5.2 Type of Sampling; Probability vs. Non-Probability

In probability sampling, the probability of selection of each respondent is known, on the other hand, in the later type this probability of selection is not known. [140]

### 3.3.5.2.1 Probability Sampling

- **Random Sampling:** In a random sample each person has an equal probability of being chosen for the sample for the sample, and every collection of persons of the same size has an equal probability of becoming the actual sample. [141]
- **Systematic Sampling:** In this method, all the units are randomly listed in the sampling frame and then 1/kth item of them is chosen, with k being any constant. [142]
- **Stratified Random Sampling:** Such a sample is obtained by separating the population elements into overlapping groups, called strata and then selecting a simple random sample from within each stratum. [143]

### 3.3.5.2.2 Non-Probability Sampling

- **Convenience/ accidental Sampling:** The investigator merely chooses the closest live persons as respondents. [144]
- **Quota Sampling:** It is the non-probability sampling equivalent of stratified sampling, with the added requirement that each stratum generally represented in the sample in the same proportion as in the entire population. [145]
- **Purposive Sampling:** In purposive or judgmental sampling the investigator does not necessarily have a quota to fill from within various strata, as in quota sampling, neither does he/ she just picks up the nearest warm bodies as convenience sampling. Rather, the researcher uses his/ her own judgment about which respondents to choose, and picks only those who best meet the purpose of the study. [146]

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[140] Dr. Brindrawan; "Research Methodology", 1st edition, p.47
[141] Dr. Brindrawan; "Research Methodology", 1st edition, p.47
[142] Dr. Brindrawan; "Research Methodology", 1st edition, p.49
[143] Dr. Brindrawan; "Research Methodology", 1st edition, p.52
[144] Dr. Brindrawan; "Research Methodology", 1st edition, p.55
[145] Dr. Brindrawan; "Research Methodology", 1st edition, p.55
[146] Dr. Brindrawan; "Research Methodology", 1st edition, p.57

### *3.3.5.2.3 Sampling Method for this Thesis*

Due to the limitations and constraints mentioned later in this chapter, a mix of convenience and purposive sampling is chosen as the best options available to get the best results. It would help save the time and money, both of which are constrained in such a project.

## 3.3.6  Step 6; Collect the Data

At this stage data was be collected from the selected sample by the help of questionnaires.

## 3.3.7  Step 7; Analyze & Interpret the Data

To analyze and interpret the data collected in step 6, Likert scale and semantic differential scales were used to represent data in graphical format so that complete picture is obtained. This analysis is provided in the next chapters.

### 3.3.7.1 Tabular and Graphical Description of Data

A table is a display of data in numerical form in the rows and columns of matrix. On the other hand a graph is a description of this data by spatial relationships in a diagram. Graphs and tables help us to summarize data and understand the relationships between variables. The old saying that a picture is worth a thousand words often is literally true of graphs and tables. [147]

A Bar Graph is the graphical representation of the categorical data in which the heights of the separated bars, or columns, show the relationships between variables. A Pie Chart is a circle graph divided into pieces, each displaying the size of some related piece of information. Pie charts are used to display the sizes of parts that make up some whole.[148]

For the analysis of the survey result, tables and bar charts along with pie charts will be used to display the data in graphical format for easy analysis.

## 3.3.8  Limitations of the Study

Limitations that were faced during this research process were that the research was limited to the population living in Rawalpindi / Islamabad region.

Another issue faced during research was that some respondents took the whole activity non-seriously which complicated the process of screening the questionnaires, and also this made the results of research somewhat doubtful.

Consumer surveys regarding their attitude towards different brands of cars are not available to give any trends or highlight any preferences.

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[147] McBurney; "Research Methods", 5th edition, p.139
[148] http://www.mathleague.com/

# Findings & Analysis

# 4.1 Questionnaire Analysis

Respondents in the survey were asked to give their responses against different questions. Questionnaire was divided into three sections, but this factor was not highlighted in the questionnaire. First four questions were related to the demographics of the respondents so as to categorize them into distinct groups and ensure that the respondents relate to the specific set of the criteria that has been set for their age or income. Number of respondents for the research was 40. Exact figures against each question and its graphs are attached in appendix.

## 4.1.1 Demographics

Question # 1 asked about the gender of the respondents and luckily 60% i.e., a majority of the respondents was males. In our society, decision about the purchase of car is mostly in the hands of male members of the household. They are the ones who generally are more interested and thus have more knowledge about cars, but his doesn't mean that females have nothing to do with the choice or purchase of cars, they too have an important role and interest so their participation was a must and this was kept in mind while conducting this research. Thus 40% of the respondents were females.

**Figure 4-1: Q1; Male/Female Ratio**
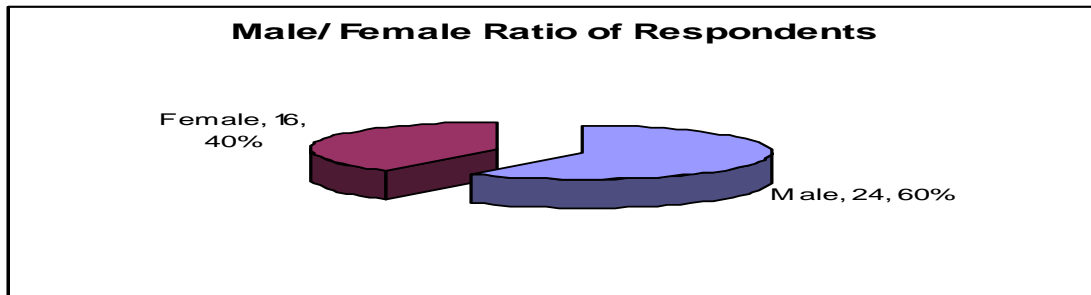


Question # 2 of questionnaire was related to the age of the respondents. This whole thesis is about the choice of young adults. So the main emphasis while distributing the questionnaires was given to people between 25 to 34 years of age, but some of the

respondents were below 25 and some were above 35, but the variation was not huge enough to make it meaningless for the research.

**Figure 4-2: Q2; Age Bracket**
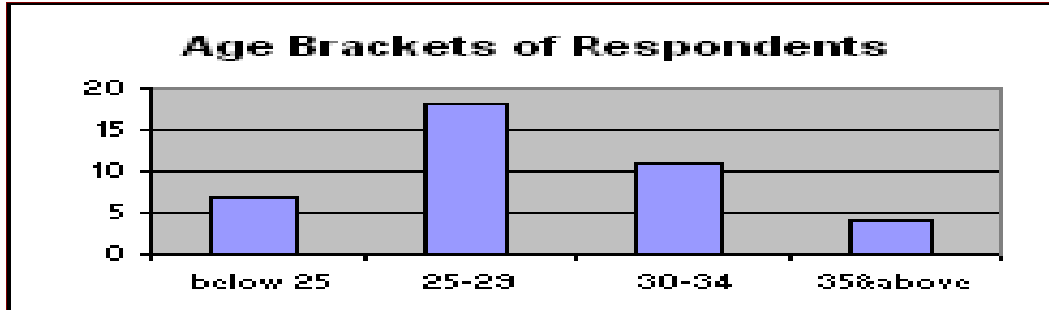


Question # 3: This question was about the profession of the respondents. This has been mentioned in the sampling setup in Chapter 3 of this thesis that emphasis was given to those who earn i.e., who are financially independent so as to decide for themselves. So most of the respondents are working, primarily in private firms because the pay scales they have are better than the public companies. Some students were also taken as respondents because the exposure they have to the emerging brands and trends is quite vast. And also this fact goes in their favor that they have an influential role in the decision making process for a car for the whole family. Following bar chart shows comparison of the professions of the respondents.

**Figure 4-3: Q3; Professions**
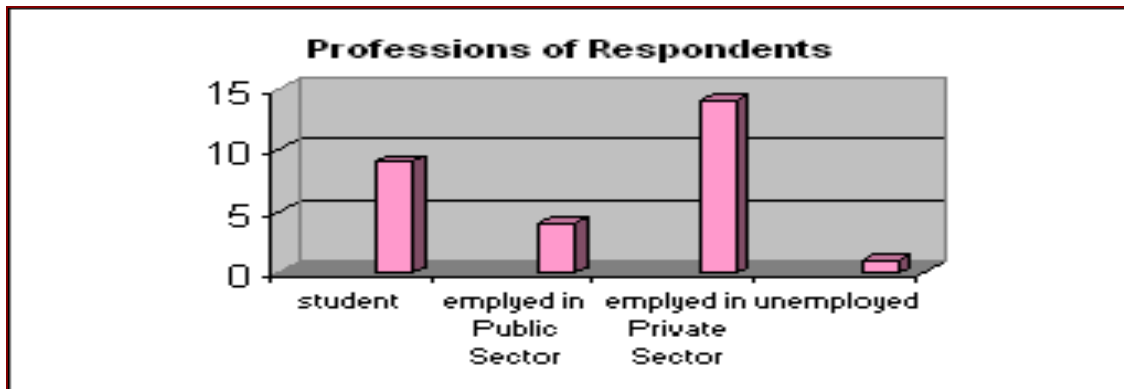


Question # 4 asked the respondents that whether they own a car or not. Question regarding income was not directly asked because this is something that nobody feels comfortable telling at. Thus just this fact was asked that whether the individual owns a car or not because this gives a hint to the financial status of the individual. 70% of the

respondents owned a car while rest of the 30 % didn't own a car. These 30% might be the students who do not have a separate car of their own, but use the car being used by their family.

**Figure 4-4: Q4; Percentage of respondents who own a car**
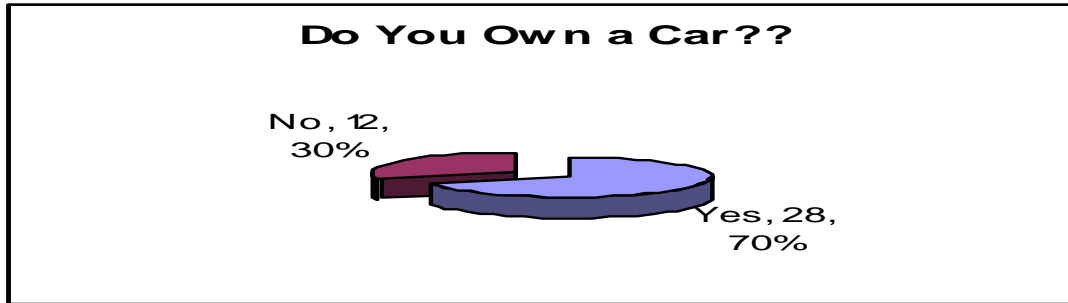


## 4.1.2 General Attitude of Respondents towards Cars

This section comprised of three questions regarding the general attitude and perceptions of the respondents about the features of a generic car, just to know what a car is for them and what do they want to see in that.

Question # 5: Although there could be as many aspects to judge a car as possible but as the scope of this research was limited thus five general aspects were taken that are the very basic elements someone wants to see in his/ her car. They are an affordable price, a superior image, reliability so that the car performs exactly on the lines that were promised by the advertisers or the dealers, then is the performance, and last was fuel consumption.

With the results of this question, an ideal line, in the eyes of the respondents, was obtained which tells the importance the respondents give to these attributes, against which different brands of cars will be compared later in the analysis. Following graph shows this ideal line. Semantic differential scale has been used here and the line in the graph has been drawn by joining the point where most of the responses lied against each attribute. The actual number of the responses is also given in the following table with the highest figure in green color for each attribute.

**Table 4-1: Q5; Response against Rating of Features**

|  | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| **Price** | 15 | 10 | 8 | 0 | 5 |
| **Image** | 9 | 16 | 10 | 3 | 3 |
| **Reliability** | 13 | 21 | 4 | 3 | 3 |

| Performance | 15 | **19** | 4 | 2 | 3 |
|---|---|---|---|---|---|
| Fuel Consumption | 11 | 6 | **14** | 3 | 4 |

Rating scale: (1; more – 5; less)

**Figure 4-5: Q5; Response against Rating of Features**
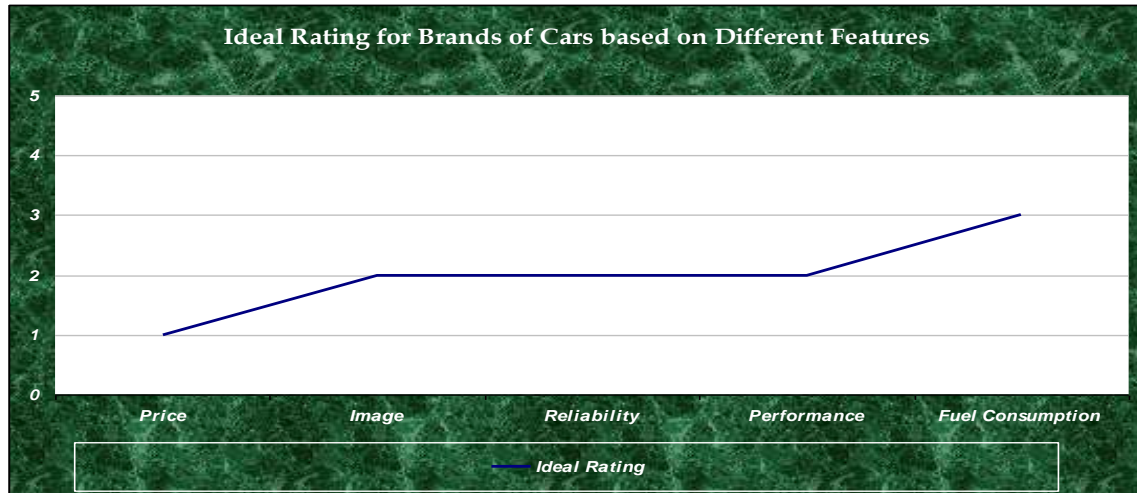


This shows that most significant attribute in the eyes of the respondents is the Price, then are image, reliability and performance. Weightage given to fuel consumption is relatively less but it is not zero, which means it is not at all negligible.

Question # 6 was a general question regarding the importance or the value the respondent has for a car. Respondents were asked to choose from the following list what they feel for a car.

- Car is just a means of transportation.

- Car is a reflector of your personality and choice
- Status Symbol

Responses against all of these were as follows:

**Figure 4-6: Q6; What is Car for you???**
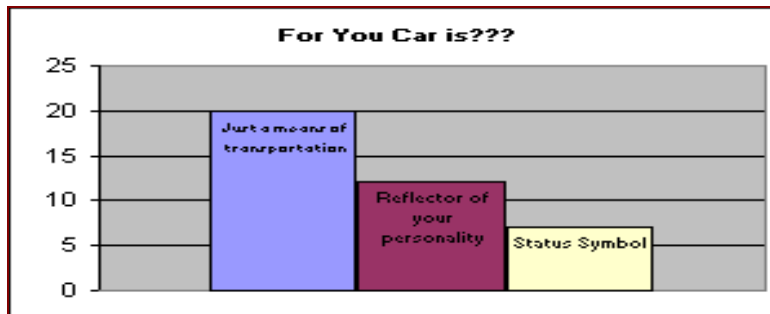


This shows that most of the respondents think it to be just a means of transportation and thus will only be concerned about the generic features of the car. Very few respondents take it as a symbol for their status.

Question # 7: Car is a high involvement product. It is not the choice of an individual in isolation. He has to consider many factors before choosing for a car. There are many roles that have a role to play in the purchase decision. They at times act as a binding and at other times they are a source of inspiration. Like for a student, father might be a source of binding because of the limited budget or his other reservations. But his favorite hero who owns a specific car, whom he idealizes, could be a source of inspiration. He might end up buying that car whenever he gets enough money.

Thus this question was asked to see what the respondents think about various roles and their powers to influence. Family, friends, peers, superiors and ideals were chosen as the roles to ask the respondents. The results were as follows:

**Figure 4-7: Q7; Influential Roles**
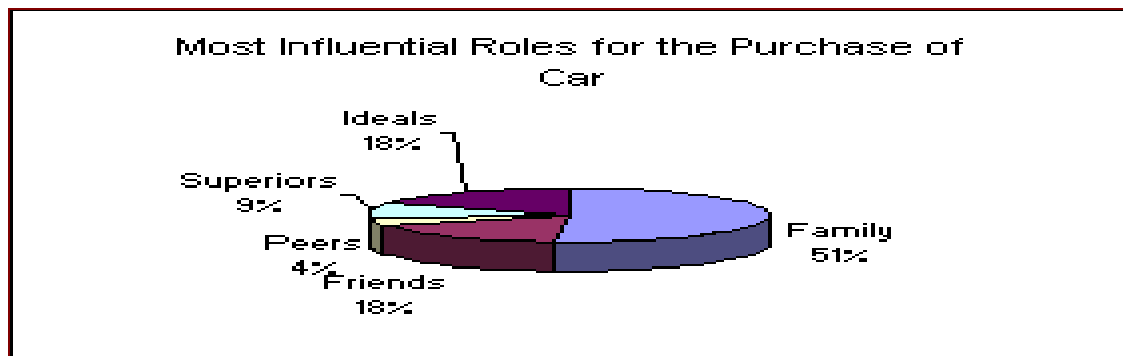


### 4.1.3  Advertising Issues and Media

Third section was regarding the role of advertising to promote a car and the choice of media in relation to its effectiveness. Two questions come under this head.

Question # 8: Car being a high involvement product is not advertised in typical ways like consumer products. Buyers don't only consider the advertising but the reputation the car has built over time is also given due importance. There is a very minimal percentage of people who go only for advertising and make a purchase decision. Even those who have opted for advertising do not totally ignore the reputation aspect; it is just that the relative importance is a bit tilted towards advertising. The results are as follows:

**Figure 4-8: Q6; Role of Advertising vs. Reputation**
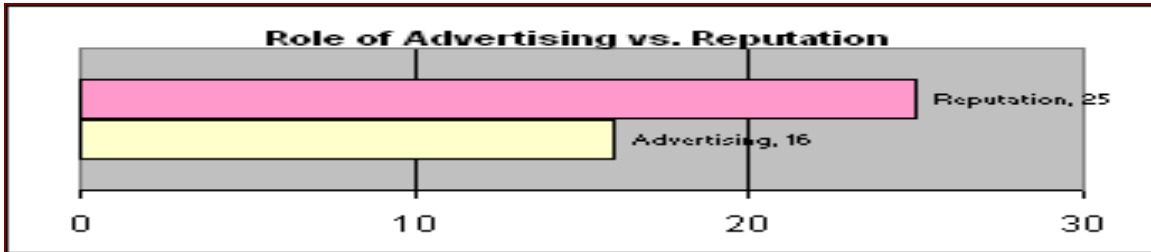


Question # 9 was also about advertising. It asked about various media for promotion of cars and their effectiveness in the eyes of consumers. This choice of media is heavily dependent on the product being advertised and the target audience for that product. Broad division of media is Print, Electronic, and Outdoors. Print includes newspapers, magazines, journals and periodicals etc. Electronic includes television and radio whereas outdoors includes billboards etc. All of them have their reasons to opt for and pros and cons, based on which an advertiser chooses or rejects that. Comparison of different media is covered in detail in the literature review.

Results of this question are as follows:

**Figure 4-9: Q9; Best Advertising Media**
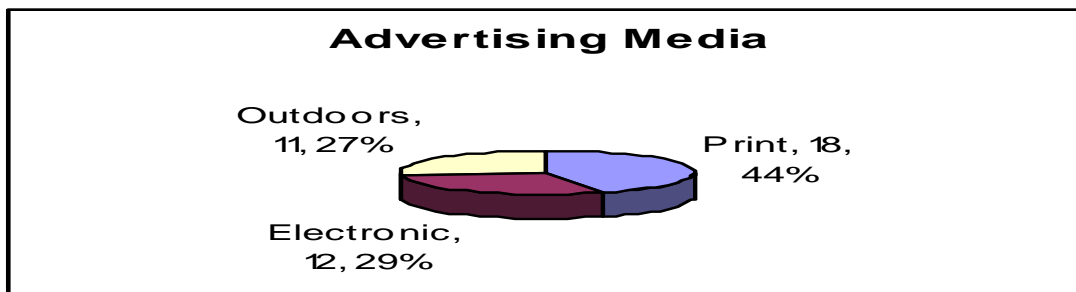


A big percentage of respondents were in favor of Print because it has a huge segmentation potential, i.e., it is directed to a specific audience. Magazines have a longevity element attached to them as well. High information content can be passed on only through this media. Electronics and Outdoors got almost the same scores.

## 4.1.4  Loyalty Aspects

Question # 10 asked individuals their preferences for foreign assembled or locally assembled cars. This question was asked because it is a general perception that locally assembled cars is somewhat low on quality grid. But the hassle and cost to obtain a foreign assembled car is a bit high. Thus there is cost and quality tradeoff and the buyer has to balance both of them according to his/ her preferences and budget.

The results for yes and no were almost the same. Following graph depicts the actual responses.

**Figure 4-10: Q10; Willingness to spend extra money for foreign assembled cars**
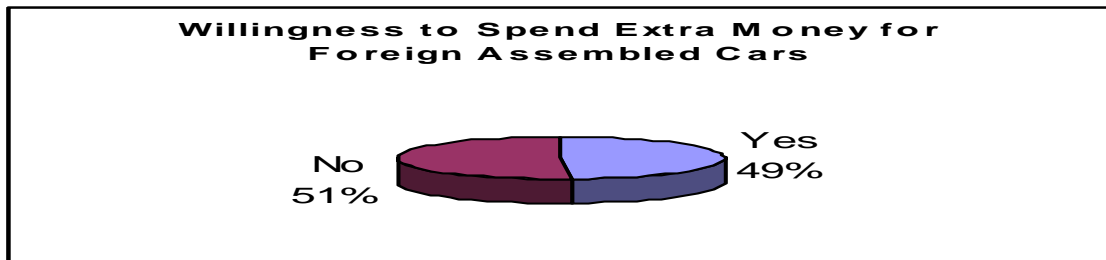


Question # 11 was directly related to loyalty. The respondents, who currently own a car, were asked this question that whether they are loyal to their current brand of car or not. It was to check that suppose some one owns a particular model of a brand and he is diehard fan of that car, if some other brand of cars offers a model that is at the same parity with the first model or is better, will he switch if the price is low and it has better features or if he will stick to his original choice.

28 respondents out of 40 said that they own a car and out of those 28, just 12 said that they are truly loyal to their current brands, whereas the rest said that they will switch whenever they get a better choice. This shows that brand loyalty is not very high among the chosen population of research.

**Figure 4-11: Q11; Loyalty with current brand of car**
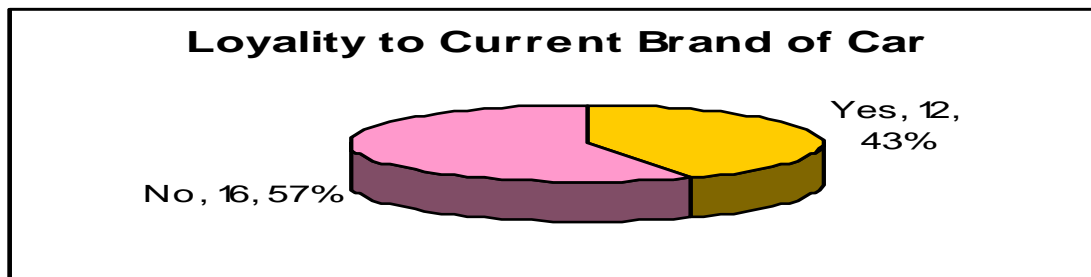
Question # 12 was again related to the last question. It was for those who said that they are willing to switch whenever they get a better choice. They were given a list of seven different brands and were asked to mark the brand they are most likely to switch to. The results were as follows.

| HYUNDAI | HONDA | BMW | TOYOTA | SUZUKI | MERCEDES | CHEVROLET |
|---------|-------|-----|--------|--------|----------|-----------|
| 0 | 4 | 3 | 6 | 0 | 4 | 0 |

**Figure 4-12: Q12; Preference for different brands of cars**
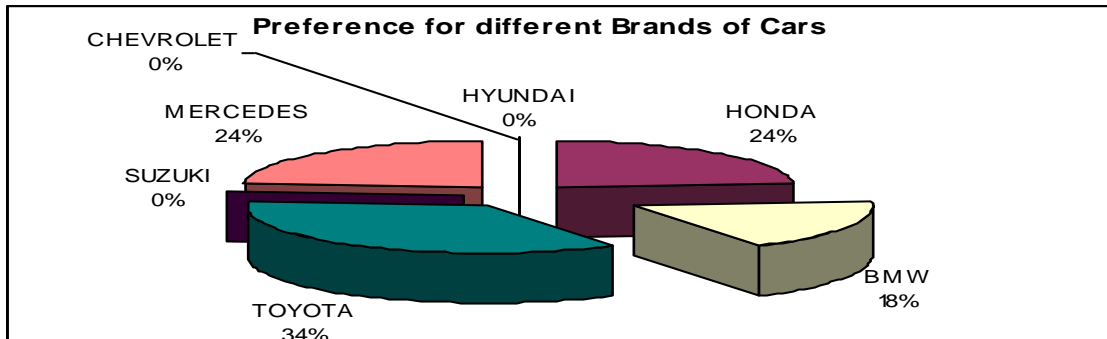


This shows that most of the respondents are in favor of Toyota and then is Honda and Mercedes. After which the number comes of BMW. Hyundai, Suzuki and Chevrolet have got zero scores may be because they mostly have small cars of less price. Now for anyone to switch to a better brand that currently owns a Suzuki or Hyundai or Chevrolet, the next best choice of bigger cars is Honda or Toyota and then comes BMW or Mercedes because the price tags attached to them are quite high. Thus as a next step, the best choices are Honda or Toyota.

## 4.1.5 Comparison of Different Brands

Question # 13, like question # 5 was based on semantic differential scaling method and it asked respondents to give their ratings about seven different brands of cars against five different attributes. The attributes were the same as were used in question # 5 for the ease of evaluation and comparison. 5 point scale was used in which "1" was synonymous with the best and "5" was it's opposite i.e., the worst. Responses were gathered and the point where most of the responses lied was taken as the most recurring point. For example first brand was Toyota, and it's responses for Price were as follows:

| Toyota | | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| High Price | 4 | 10 | **13** | 8 | 4 | Low Price |

Highest response rate was for "3" which implies that respondents think Toyota to be priced average in comparison to other brand. Like wise for all other brands, responses were gathered and following table was obtained.

**Table 4-2: Q13; Ratings against all Brands**

| | Ideal Rating | Toyota | Honda | Suzuki | Hyundai | BMW | Mers. | Chevy |
|---|---|---|---|---|---|---|---|---|
| Price | 1 | 3 | 2 | 4 | 4 | 1 | 1 | 3 |
| Image | 2 | 2 | 2 | 4 | 4 | 1 | 1 | 3 |
| Reliability | 2 | 3 | 2 | 3 | 3 | 1 | 1 | 3 |
| Performance | 2 | 2 | 3 | 3 | 4 | 1 | 1 | 3 |
| Fuel Consumption | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 3 |

The column of ideal rating is again in the eyes of respondents and was obtained from the responses in question # 5. This column was used to compare other brands with it.

**Figure 4-13: Q13; Comparison of Different Brands of Cars**
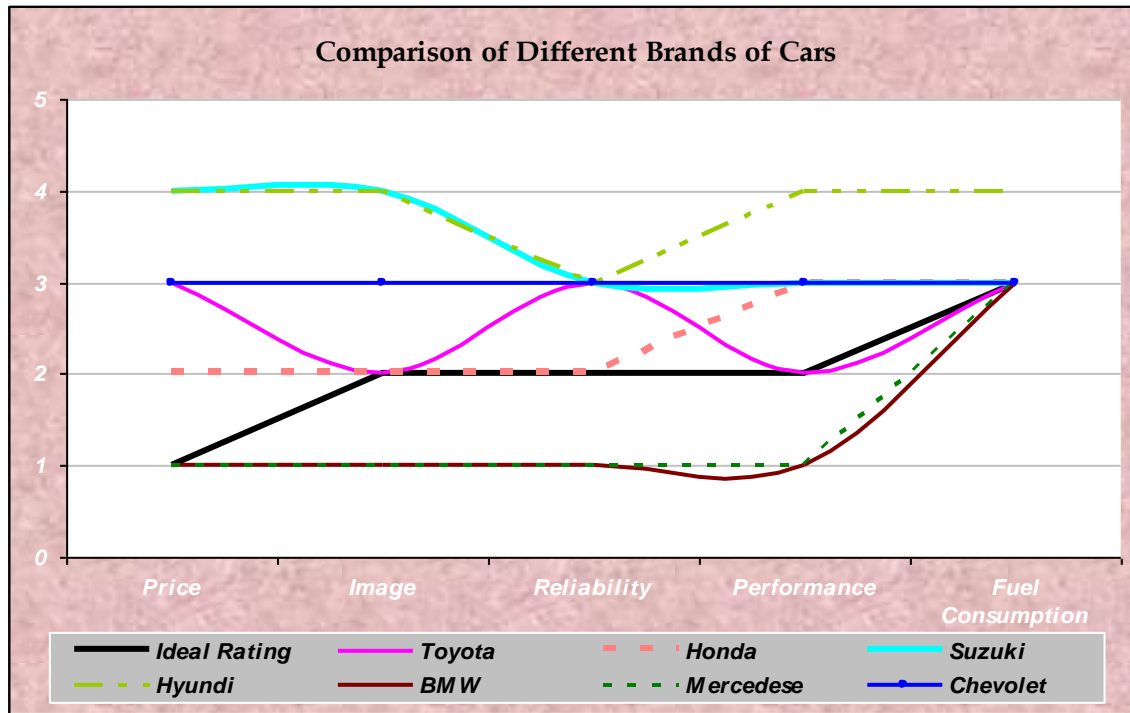


The line for ideal rating is in Black Color. Honda (dashed line in orange) and Toyota (in pink) coincide with it against three attributes, whereas BMW (in brown) and Mercedes (dashed line in green) coincide with the ideal line against two attributes. Chevrolet (in dark blue) and Suzuki (in light blue) coincides with this line against one attribute i.e., Fuel Consumption, whereas the average distance for Chevrolet is less from the ideal line as compared to Suzuki. Last is Hyundai (dashed line in light green) which doesn't coincide at any point.

# 4.2  Consumer Behavior Analysis

Car is a high involvement product. Its consumers belong to lower middle, upper middle and upper class of the society. Cars are in use since many decades but its use has increased manifolds in the last decade due to the globalization and leasing trends. Now even those who previously didn't afford to purchase a car and who just use motorbikes are also purchasing cars because latest trends have made it possible for them to afford it.

There are many brands of cars available in the market and each brand is offering many different models. Consumers now have much more options available to them to choose from.

## 4.2.1  Need for a Car vs. its Want

If we speak of the generic uses and significance of a car, it is a means of transportation like other means for example a bus or a taxi or for that matter a train or a plane.

Comparing it to train or a plane is not justified because they generally are used for longer routes, especially in our society. Public transport is available in the form of buses, taxis or wagons, but the freedom an independent car offers to someone, makes it more useful and important.

If someone says that:
"I want to go from point A to point B. I need some type of vehicle to transport me, and that vehicle should be available anytime, fast, comfortable, and cost effective"; he currently has just the option to either walk or use public transport but now he wants something of his own, thus he needs a car.

Urge or need to have a car, is both utilitarian and hedonic. It is utilitarian in the sense that individual is looking for a functional and practical benefit of transportation with independence and convenience. This need is hedonic in the sense that the individual attempts to satisfy emotional needs like desire to own something of value that displays once status or financial condition and taste. Thus he feels a drive to satisfy this need.

In the process of satisfying that drive, the need is transformed into a want. This transformation process is lead by many cultural and personal factors. Individual's experiences, social circle, along with his financial status have a very dominating role to play in the choice of a vehicle. At this stage he considers the available options to choose from. He studies their negative and positive aspects, and then chooses one that best satisfies his exact requirements. Thus now he conducts a comparative study of different choices i.e., the brands available to him. After evaluation, he purchases one to actually satisfy his needs.

## 4.2.2 Maslow's Hierarchy of Needs

In the Maslow's Hierarchy of Needs, a car lies at fourth or the second last level of the hierarchy. This level is labeled as "Ego Needs" and these needs are characterized by the feelings of prestige, status and accomplishment. This need comes at a later stage, after physiological, safety and belongingness needs. First two levels are the basic essentials to live and then man being a social animal, moves up the ladder. But first he has to satisfy basic level needs, and only when they are satisfied, he moves on.

Luxurious cars like BMW or Mercedes have more to do with the psychogenic needs of the consumers. These needs are aroused when people become members of specific culture, like the need for a specific style and image and the car one drives or the mobile one keeps can well portray the taste and style plus the status of an individual.

## 4.2.3 The Consumer Decision Making Model

Decision-making model helps identify various steps and the sequence of those steps involved from the point an individual identifies a need for something till the point they have consumed it and have some positive or negative feelings about that. Thus it jots down the process through which someone satisfies his/her need. This process starts from

identification of need after which an individual searches for relevant information through which they can satisfy the identified need, with the help of which they come up with certain alternatives, then they evaluate those alternatives on the basis of some attributes which are purely defined and prioritized by that individual. After the evaluation of alternatives, they finally decide on one of them and make the final purchase but the process doesn't end there. After the purchase comes the post purchase satisfaction, which is necessary for their future purchase i.e., if they are satisfied, they will consider that alternative in future, on the other hand if they are not satisfied, they will not only go there again and would also spread negative word of mouth about that product or service among their peer group. An individual might not always go through all of the steps in the same sequence but generally this is the pattern followed.

Thus the sequence is as depicted in the following figure:

**Figure 4-14 Stages in the Consumer Decision-Making Process**

| Problem Recognition | Information Search | Alternative Evaluation | Purchase decision | Post purchase Evaluation |

**Source: Belch & Belch, "Advertising & Promotion", 4th edition, p. 105**
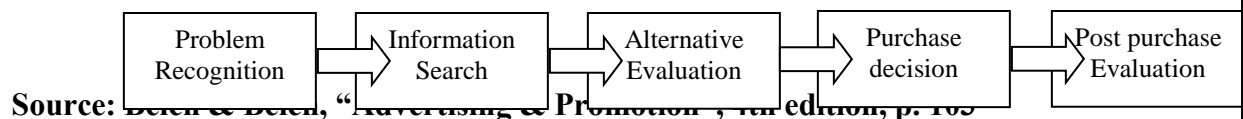
To completely understand the decision making process for the consumers of cars, they are divided into two broad categories, because of these categories go through somewhat different steps. These categories are as follows:

- Category 1: For first time purchasers
- Category 2: For those who have been using cars and are switching because of any reason.

## 4.2.3.1 Decision Making Model for Category 1

Description of consumers belonging to this category are that they are those who previously din't have a car. They either used public transport or motorcycles because of financial constraints. But now they want to purchase a car. The steps they will follow will be as follows:

### 4.2.3.1.1 Problem Recognition

At the first stage the consumer feels the need to change the way he used to do everything. He feels that the present situation is no more acceptable enough to keep on going with it. The inconvenience he used to face due to the use of public transport has forced him to recognize the problem. He thinks that he should have an independent vehicle for himself or for his family to add to their comfort in the limited budget he has. Thus he imagines a desired state and the deviation from that desired state is the actual problem recognition phase.

**4.2.3.1.1.1    Sources of Problem Recognition**

Possible sources i.e., the factors that lead to this crisis situation are as follows. Both internal and external factors are involved in this change to occur.

- **Dissatisfaction:** The individual is dissatisfied with the way things are going on. He wants independence and comfort. Thus he is looking forward to change his situation by making some purchase to attain his desired state.
- **New needs/ wants**: Previously he was satisfied with what he had but now new need has been created. He might have faced a change in his financial status and now he wants to bring his lifestyle at par with that and owning a car is a compulsory part of that.
- **Marketer induced problem recognition:** Latest leasing trends have changed the whole situation. It is especially applicable to the category under discussion, because they are the once who previously dint afford to purchase a car but leasing has given them an opportunity by providing them an easy way out. Car marketers and dealers are marketing their brands even more aggressively in collaboration to banks and leasing agencies. This has motivated many newcomers to be a car owner/ user.
- **New product**: Pakistan plans to import Chinese made vehicles which are less priced. This will be a source of motivation for many.

### 4.2.3.1.2 Information Search

The individual then looks for information to identify ways in which he can satisfy his needs that he has identified in the first step. This step is critical because if not done properly, he could miss out on an alternative that might be better for him especially in this case, when the product he is looking for is high involvement. It is not something that is purchased daily; rather these types of decisions are done very infrequently.

He, thus, needs to actively look for the available alternatives to make the best choice. The broader options available to him for information search are:

- **Internal search:** He might not have owned a car previously but must have traveled in one, so he must be aware of and have some perception in mind about some brands. This knowledge would act as a basic guideline for him to follow.
- **External search:** External search is done through many sources. He would exploit all available sources like friends and relatives, marketing activities, or the public sources in the form of articles in the magazines etc. He would do a comparative study of the brands available regarding their technical features, prices and general ambiance etc. He might discuss about his short listed brands with dealers and study articles about their performance to know about the reputation these brands have built over time.

### 4.2.3.1.3 Alternative Evaluation

After searching for relevant information, the next step is that of evaluation of alternatives. Thus the identified alternatives would be evaluated on the basis of those needs i.e., that alternative would be chosen that best satisfies the identified needs.

Because he is constrained on prices, he will opt for smaller cars which are CNG fitted. Most famous brands for cheaper cars in Pakistan is Suzuki but now other brands are also doing much in this category like Toyota has recently introduced Vitz and Hyundai has Santro whereas Cuore by Daihatsu is another example of the cars that come in the category of smaller CNG fitted cars. This collection of brands in mind will be the evoked set of the individual. The evoked set is generally only a subset of all the brands of which the consumer is aware. After coming up with a set of alternatives, he then evaluates all these available options, studies their pros and cons and then by balancing his wants and sources, he further short lists his long list of cars.

### 4.2.3.1.4 The Purchase Decision

After an individual has identified various alternatives on the basis of his needs that he has identified in the first step, he would then decide on one. Additional decisions will also be made, such as when to buy, where to buy, and how much money is justifiable to spend.

Decision for when to buy will involve the time frame when he will be able to spend money to make a payment. He will have to talk to various dealers for that brand of car and availability of that model and the delivery time, inorder to see whether it suits him or not. Then he would make the actual purchase. If the car is being leased which is the most probable option in this situation, he would not make the complete payment and complete terms and conditions will be decided between all the parties involved.

### 4.2.3.1.5 Post-Purchase Evaluation

After the actual purchase has been made, there might be positive feelings of the consumer or he might have certain negative vibes. These could be after he has paid the down payment or after he has actually received the car and is using it.

The first category is that of feelings that arise after the initial payment and contract. These could arise as a result of word of mouth or the way the dealer has involved the individual in the process and the comfort level that he has been given.

The second category would be that of the individual who has received the car. If he is satisfied with the performance of the car or with the attitude of the dealer, and the insurance agency, it would have a positive impact on him and he would be content with the overall decision and purchase.

The post purchase evaluation is important because the feedback acquired from the actual use of a product will influence the likelihood of future purchases, either from that individual or from his reference group that is his friends and colleagues.

## 4.2.3.2 Decision Making Model for Category 2

This is the category of individuals who already are using some brand of car but somehow they want to switch over to some other brand. They will also go through all the steps mentioned in the decision making model for first category but because they have a different set of priorities and requirements, there would be some differences. Their process would be as follows.

### 4.2.3.2.1 Problem Recognition

The problem recognized by the consumer is that his requirements have changed. He is feeling uncomfortable with the current brand of car he is using. He wants something better. The possible sources of his problem are:

#### 4.2.3.2.1.1 Sources of Problem Recognition

Possible sources i.e., the factors that lead to this crisis situation are as follows. Both internal and external factors are involved in this change to occur.

- **Change in family structure**: Because the focus of this thesis is revolving around young adults, we might consider a situation in which our chosen individual gets married. This brings in many changes in once life and preferences. The car he previously used might not suit hum now so he might feel dissatisfied and might think to switch over to some other brand.
- **Dissatisfaction**: The individual might feel that he is getting bored with the car he is using, he might think that changing the car will look trendier, so he will start thinking to switch over to some better option.
- **New needs/ wants**: Previously the individual might be having a second hand car which needs repair work very often. Now he might be thinking to purchase a zero meter car that is insured also to make every thing as much hassle free as possible.
- **Marketer induced problem recognition:** Marketers are fighting for the market share and thus are offering new incentives every day. This might inspire an individual that he better sell his present car and purchase another car.
- **New product:** new technology has made it possible to make changes in the generic products to bring augmented models to satisfy ever increasing demands of the consumers and grab more and more market share. Thus new models inspire this lot to do experiments and change their car.

### 4.2.3.2.2 Information Search

After identifying a need, the individual actively conducts an information search process. He looks for all the available choices in the type of car he is looking for. His own experience will be very beneficial at this stage. Thus first he would conduct internal search. After this internal search, the individual will look for the external sources of information regarding the brands available. He would study articles about their performance to know about the reputation these brands have built over time.

### 4.2.3.2.3 Alternative Evaluation

At this stage the individual will come up with all the alternative options available and will conduct a comparative study among all the brands. Based on the identified needs and options he would shortlist a specific set of alternatives. He might go for bigger and more sophisticated car for his changing requirement, if the identified need is a change in his family or social and financial setup. Or if he is just inspired by a new model by some brand then there might be no other alternative to think about because this is the aspect that motivated him to think to switch and thinking about its rivals is not justified.

This would help finalize the evoke set of the individual and he will move on to the next step.

### 4.2.3.2.4 The Purchase Decision

After an individual has identified various alternatives on the basis of his needs that he has identified in the first step, he would then decide on one. Additional decisions will also be made, such as when to buy, where to buy, and how much money is justifiable to spend.

Decision for when to buy will involve the time frame when he will be able to make a payment. He will have to talk to various dealers for that brand of car and availability of that model and the delivery time, in order to see whether it suits him or not. Then he would make the actual purchase. If the car is being leased which is the most probable option in this situation, he would not make the entire payment and complete terms and conditions will be decided between the parties involved.

### 4.2.3.2.5 Post-purchase Evaluation

Negative or positive feelings about the brand purchased come at this stage. If the individual thinks that he got what he looked for and it is justified for the amount he paid for, he would be satisfied and vice versa. Negative feelings can impact the overall process because the he would start spreading negative word of mouth both about the car and the dealer.

The post purchase evaluation is important because the feedback acquired from the actual use of a product will influence the likelihood of future purchases, either from that individual or from his reference group that is his friends and colleagues.

## 4.2.4 Environmental Influences on Consumer Behavior

Car is a high involvement product and is something that is used publicly. An individual thus cannot choose one in isolation. Hence we can safely say that environment in which the consumer survives has a strong role to play for the consumer decision making.

## 4.2.4.1 Culture

Culture is the accumulation of shared meanings, traditions, norms, and rituals among the members of an organization or society. How well a product is considered in certain country is heavily dependent on the type of culture prevailing there. Culture around the country might not be the same; it varies from region to region. Culture in its nature keeps on changing and evolving over time. Certain attributes that define certain culture are power distance, uncertainty avoidance, masculinity/ femininity and individualism.

Power distance in Pakistani culture is relatively high. It means that equality is not much present in this culture. Uncertainty avoidance is also high in Pakistani culture i.e., Pakistani citizens are not much comfortable in taking risky initiatives. This affects a product in the sense that they won't be readily willing to try out new products. In the masculinity/femininity grid, Pakistan is more towards masculinity, i.e., most of the decision making is in the hands of male members, though this trend is changing but at a

very slow pace. Pakistan has a collectivistic culture, in the sense that people here prefer to work together.

### 4.2.4.1.1 Cultural implications for Brands of Cars

Relating all these characteristics of Pakistani culture to the purchase of cars, we can conclude that there is wide variation in the type of cars that are used at different levels, depending upon the hierarchy, because affordability varies at different levels. The implications of high uncertainty avoidance are that new brands are generally not readily accepted, but there is tendency among the youth that they are willing to take risks to try out new models. Another thing is that cars are considered such a product that has more to do with the choice of men; so most of the advertising activities are directed towards men.

## 4.2.4.2 Subculture

The subcultures that are applicable in the case of cars could be based on age and geographic location. Young adults have a distinguishable behavior regarding their purchasing preferences. They want to try out new things, and thus look trendier. Uncertainty avoidance, in contrast to the entire Pakistani culture is somewhat low among this group as compared to the nation as a whole.

Based on the geographic location, what is preferred in big cities like Karachi, Lahore, or Islamabad is not the same as is purchased in the smaller towns or villages. This could be attributed to two basic reasons. The exposure people have in smaller cities is to some extent limited and the other important reason is the availability of spare parts. Toyota and Suzuki are two brands who are easy to manage any where but other brands create problems sometimes because their spare parts are not easily available.

## 4.2.4.3 Social Class

The products individuals choose reflect the social class they belong to and it is also applicable vice versa, i.e., their social class often reflects the products they choose. This classification is basically made on the basis of income levels. It doesn't have clear boundaries but they do exist.  The classes in which a society like ours is usually divided are as follows:

- Upper Upper
- Lower Upper
- Upper Middle
- Lower Middle
- Upper Lower
- Lower Lower

Consumer's spending pattern is heavily dependent on the social class they belong to, like if we consider the consumption of cars as a whole, it is very rare in the lower lower or the upper lower class, it starts off in the lower middle class and moves on to the upper upper class of the society.

Although people in the lower middle till those in the upper upper segment use cars but there is a huge variation in the type of the car that all of these segments use in general and even the number of cars each family owns. Lower upper and upper upper segment of the society generally have highly expensive luxury cars because of the budget they afford to spend. On the other hand, the middle class generally have cars like Toyota Corolla or Honda City, whereas the lower middle might even end up using just Suzuki Mehran or Alto. Whether a zero meter or a second hand car is purchased can also be linked to the social class one belongs to. Thus social class has a huge impact on the impact on the choice of car.

## 4.2.4.4 Reference Group

Reference group in this case could be the family members of the individual or the friends and colleagues. Involvement of the reference group in the decision making is important because acceptance or rejection on their part can make the decision justifiable or unjustifiable for the individual.

### 4.2.4.4.1 Family Decision Making

The first and foremost reference group is the family for any individual. Liking or disliking on part of all family members can make a lot of difference in the individual's purchase decision. The roles family members may assume in the decision-making process are; assumption being that the individual say Mr. X is someone who wants to purchase a car for himself and he is a university student, living with his parents and siblings.

- **Initiator:** The individual (Mr. X) himself.
- **The information provider**: Mr. X himself will work to gather information and might consult his friends in this process.
- **The influencer**: It could be the father because he is the one who will sponsor, or it could be the friends, whom he might want to show off.
- **The decision maker(s):** This again could be the Father or Mr. X himself.
- **The purchasing agent:** Same as above.
- **The consumer:** This again is Mr. X.

All these family members can take on different roles at different stages in the life cycle.

## 4.2.4.5 Situational Determinants

Situational determinants are the last environmental influencer, but they have a lot of significance for the purchase decision of any individual.

Going on with the last example, the circumstances in which Mr.X will use the car the most frequently have a strong role to play for him. He will have to commute between his home and university on a regular basis and he will also use the car with the family sometimes. Thus the choice of his friends is the most influential factor. He would like to be appreciated for the car he has.

For purchasing the car, the individual will have to go through some dealer. The terms and conditions set at the time of purchase will impact the purchase decision and post purchase feelings.

Advertisements for cars in our media are mostly found in Print and outdoors. Communications situation is the condition in which an advertising exposure occurs. This is important for a new model of car being introduced because it will help create awareness.

## 4.2.5  Positioning

### 4.2.5.1 Building Perceptual Maps for Automobiles

To know how the customers perceive the brands marketers use a technique called perceptual mapping which is related to the positioning of the product. To position products in increasingly crowded markets, managers must understand the dimensions along which target customers perceive products in a category and how they view the firm's offer relative to competitive offers. To understand the competitive structure of their markets, managers must ask these questions:

- How do our customers (current or potential) view our brand?
- Which brands do those customers perceive to be our closest competitors?
- What product and company attributes are most responsible for these perceived differences?

For this purpose, following perceptual maps have been made for different automobiles on the basis of six dimensions. The positioning of all the brands along different dimensions is based on a survey done among the selected sample through questionnaires. On the basis of these maps, market shares of the brands chosen would then be calculated to plot them in the BCG matrix.

#### 4.2.5.1.1 Attributes taken

Four attributes are being taken to analyze the positioning of selected brands, which are as follows:

- Price
- Perceived value
- Image
- Reliability
- Performance
- Fuel consumption

All of these attributes have been taken from the questionnaire, to make the whole process more relevant to the choice of actual consumers.

#### 4.2.5.1.2 Brands Taken

- Toyota
- Honda
- Suzuki
- Hyundai
- BMW
- Mercedes
- Chevrolet

The following maps identify the positioning of the brands according to the responses of the consumers (the respondents) in amalgamation with the researcher's opinion, identifying two dimensions at a time. The representation is as follows:

### 4.2.5.1.3 Perceptual Map 1

**Figure 4-15: Perceptual Map # 1**



| Toyota | **T** |
| Honda | **H** |
| Suzuki | **S** |
| Hyundai | **Hy** |
| BMW | **B** |
| Mercedes | **M** |
| Chevrolet | **C** |

**4.2 ... Classification in Different Quadrants**

On ... available cars in the country have been compared on Price (o... ... Value (subjective) dimensi... ...d then positioned in different qu... ...r putting in different quadrants are as under:
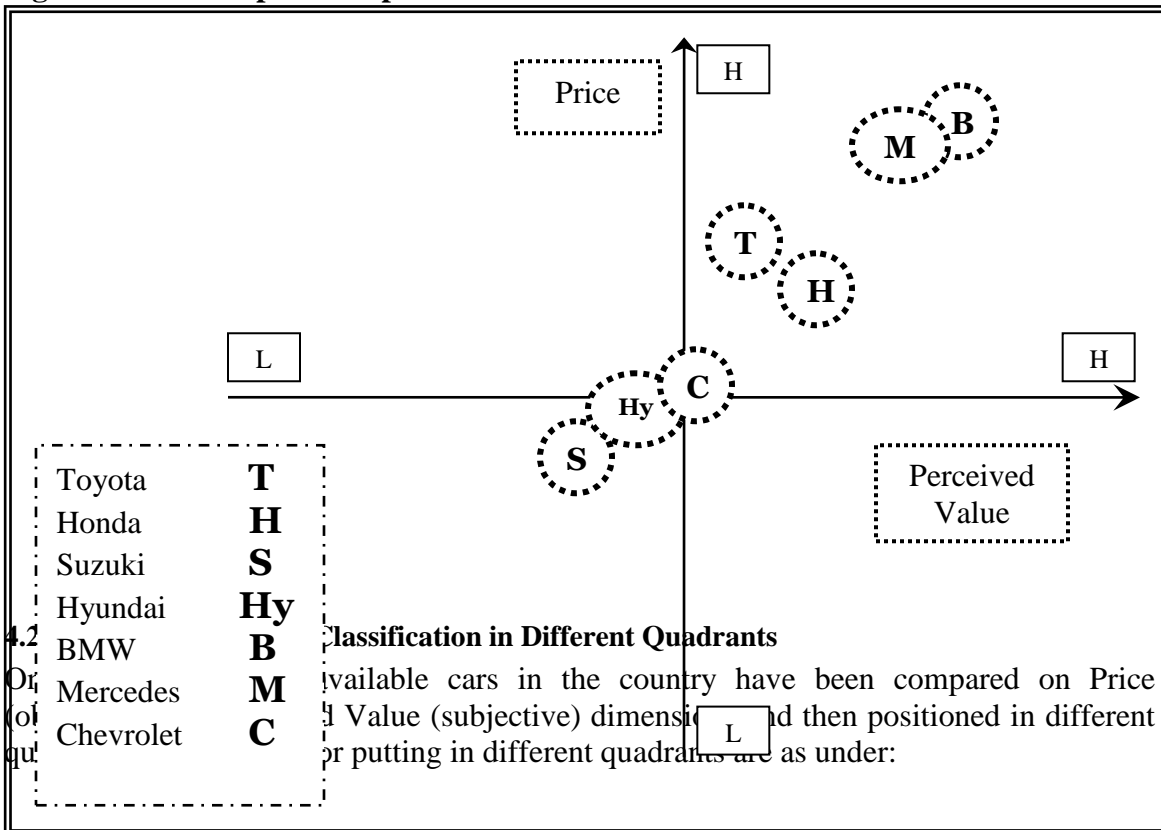
4.2.5.1.3.1.1 High on Both Dimension

BMW tops the list as it is most expensive of all the cars available in Pakistan and is known to be most one of the most prestigious cars in the country. Mercedes is also a very expensive car and is also ranked very high among the cars whose perceived value is much high. Honda and Toyota have almost the same difference as was in the among BMW and Mercedes, Honda being a bit higher on both quadrants than Toyota, just like BMW which was a bit higher than Mercedes.

4.2.5.1.3.1.2 High on Price and Low on Perceived Value

Chevrolet is placed in this quadrant, having the lowest perceived value, but its price is a bit high than the rest of brands in the lower quadrants.

4.2.5.1.3.1.3 Low on Price and High on Perceived Value

This is the only quadrant having no brand in it.

4.2.5.1.3.1.4 Low on Both Dimensions

This quadrant contains cars that are primarily purchased for the purpose of fulfilling the basic need of transportation. The car that deserves a special mention is Suzuki Mehran. Suzuki is the lowest priced car, which definitely is a positive attribute for it, but it lags somewhat behind Hyundai in the perceived value segment.

*4.2.5.1.4 Perceptual Map 2*
**Figure 4-16: Perceptual Map # 2**

The perceptual map contains the following elements:

- Image (vertical axis, H at top, L at bottom)
- Reliability (horizontal axis, L at left, H at right)

Legend:

| | |
|---|---|
| Toyota | **T** |
| Honda | **H** |
| Suzuki | **S** |
| Hyundai | **Hy** |
| BMW | **B** |
| Mercedes | **M** |
| Chevrolet | **C** |

**4.2** ... **Classification in Different Quadrants**

On ... ailable cars in the country have been compared on image and
re... d then positioned in different quadrants. The reasons for putting
in... as under:

4.2.5.1.4.1.1 High on Both Dimension

Mercedes, BMW and Toyota are in this quadrant, Mercedes being the highest on both the
dimensions. Mercedes is relatively an older car in the Pakistani market. Presence in terms
of years mean a lot when we talk of image, be it good image or bad. Fortunately
Mercedes has been able to develop an excellent image of a prestigious and luxury car.
BMW is somewhat close to where Mercedes stands. Then is Toyota, whose reliability is a
bit less than BMW or Mercedes, but its image though is fairly good, but as a luxury car,
its far less than the rest of the two cars in that quadrant.

4.2.5.1.4.1.2 High on Image and Low on Reliability

Honda is placed in this quadrant. Although its image is just a bit less than Toyota, but
because it's far less reliable than Toyota, it has been moved to this quadrant. Reliability is
something that is relative, in the sense that we can not say that Honda as a car is not
reliable but in comparison, it ranks a bit low.

4.2.5.1.4.1.3 Low on Image and High on Reliability

Suzuki is on the border line of this quadrant and the one that will be discussed in the next
heading.

4.2.5.1.4.1.4 Low on Both Dimensions

Suzuki, Chevrolet and Hyundai lie in this quadrant, Suzuki being at the borderline.
Suzuki is considered to be better in-terms of reliability among the three cars, but if we
talk of image, Chevy ranks higher than the rest of the cars.

*4.2.5.1.5 Perceptual Map 3*

**Figure 4-17: Perceptual Map # 3**

Performance

H

L

H

M B

H

T

S Hy

C

Fuel
Consumption

| Toyota | **T** |
| Honda | **H** |
| Suzuki | **S** |
| Hyundai | **Hy** |
| BMW | **B** |
| Mercedes | **M** |
| Chevrolet | **C** |

L

**4.2...Classification in Different Quadrants**

Or...ilable cars in the country have been compared on performance an... dimensions and then po...hed in different quadrants. Pe...lated to the consumption of fuel for any vehicle; because the pe...uld be justifiable against the fuel it consumes which is one of the major running expense for the car. Thus they are taken in one perceptual map. The reasons for putting in different quadrants are as under:

4.2.5.1.5.1.1 High on Both Dimension

Situation is more or less the same in this perceptual map as was with the first two maps. In terms of fuel consumption, BMW ranks higher than Mercedes. It might be because of the fact that BMW is more linked to speed as compared to Mercedes which makes the general perception that it might be more fuel consuming car.

4.2.5.1.5.1.2 High on Performance and Low on Fuel Consumption

Toyota and Honda are in this quadrant, Honda being higher in fuel consumption and Toyota being relatively higher in performance. This again is related to the fact that Toyota has lived a longer life in this market as compared to Honda, ending up in the general perception that it is a car with better performance.

4.2.5.1.5.1.3 Low on Performance and High on Fuel Consumption

Chevrolet lies in this quadrant.

4.2.5.1.5.1.4 Low on Both Dimensions

Suzuki and Hyundai are present in this quadrant. Suzuki ranks lowest in fuel consumption which is a positive feature as in it consumes relatively lesser fuel and gives a reasonable level of performance.

## 4.2.6  Market Segmentation Process

| Benefits | Activities | Interests | Opinions | Demographics |
|----------|-----------|-----------|----------|--------------|
|          |           |           |          |              |

For the sale of a car, car manufacturers and dealers divide the market into different segments and then based upon their preferences, go for one or two segments i.e., target them. The bases used to divide and then to choose the segment i.e., target vary for each brand of car and it depends mainly on the price range of that car and the image it wants to portray for itself and as the image depends heavily on the type of individuals who use the car so it matters a lot that the segment whom they are targeting is the right one.

The bases that generally are used by car manufacturers to segment individual car users are a mix of demographics and geographic. Geographic includes the location of the target market, i.e., whether they reside in cities or small towns. If we consider the brands like Suzuki and Toyota, most of their models are found in every nook and corner of Pakistan, reason being that their spare parts is easily available every where. Still their models like 2.OD and Baleno etc are not found in small villages because the there are relatively high priced cars and the purchasing power of people living there is not very high and even if the individuals have that amount of money with them, the infrastructure like the roads are not feasible for such models. Thus manufacturers don't market such models in such areas. Big cities like Karachi, Lahore and Islamabad have almost all of the brands being considered in this thesis.

Besides geographic, demographic segmentation also matters a lot for the cars. Demographics include age, sex, family size, income, education and home ownership. Cars like Mercedes and BMW are very expensive brands, thus the segments that they target are high income elites. Younger people generally like to have trendy things to look up to date, thus cars like Chevy or imported once in different shapes and styles are more popular among them. Females like to have more sophisticated cars than males. Differences of preferences thus do lie among individuals based on their demographics and marketers have to keep an account of that to attract the right segment for their product.

### 4.2.6.1 The AIOD Framework

The AIOD framework helps to segment the market on the bases of the need or the benefits which the customers seek for a specific product or the product category. With the needs and benefits identified the products can then be targeted to the related segment according the different appealing themes. The following is the AIOD framework made for different brands of cars which identifies the needs that the manufacturers generally target at.

| | | | | |
|---|---|---|---|---|
| Stylish and trendy | Students, Independent, Successful professionals, Working people | Sports, Entertainment, Adventurous, Community | Peers, Culture | Age:20-40 yrs old<br>FLC: Single, Married<br>Medium users |
| Good performer and less fuel consumer | Frequent travelers, Businessmen, Independent, Self made, Households | Job, Home, Community, Recreation, Food | Ambitious, planned, strong views about products, Social Issues | Age: 20-40 yrs old<br>FLC: Single, Married<br>Medium users |
| Affordable | Students, households, Businessmen | Entertainment, Community, Food, Business, Fashion | Social issues, purchasing, Politics, Future Business | Age: 8-40 yrs old<br>FLC: Single, married<br>Heavy Users |
| Reliable | Successful Professional, Executives, Businessmen | Home, Job, Personal, Recreation, Business | Strong Views about Products Group Association, Ambitious, Energetic, Politics, Future Business | Age: 20-43 yrs old<br>FLC: newly married, married<br>Low users |
| Spacious | Households, Frequent travelers | Sports Community Social Gatherings Entertainment Lovers | Ambitious, Energetic, Education Themselves | 35- 55 yrs old, Married, full nest, I, II, III, Light-to-Medium |
| Has social class appeal | Students, professionals, working women, status conscious people. | Sports Community Social Gatherings | Energetic Self Actualization Peer Pressure | 16-45 yrs Single, Newly Married, Full Nest. Light-to-Medium |
| Environment friendly | Working professionals, executives Working Women, Sportsmen Students | Sports, Food, Media, Entertainment, Recreation, Social work | Ambitious, Energetic, Education Themselves, Self actualization | 22-40 yrs Single, Newly Married, Full Nest, I, II, III, Light-to-Heavy |

**Figure 4-18: AIOD Framework**

There is a lot to offer with the car manufacturers. Car initially was a luxury but now it has become a necessity. They have moved very far away from the generic level of car i.e., just a means of transportation. Still new and new features are being added to make it more and more luxurious and stylish. Consumers demand a lot from a car manufacturer. Car manufacturers have identified various needs and benefits that have been highlighted through advertisements which will compel consumers towards buying a car. The most important of those needs that have been identified in the adverts is the need to give good performance at less fuel consumption, which is the basic need for any car user. By getting a car, one will always want to get a service that is a service in its true sense and not a problem creator all the times. And fuel consumption is the major running expense for a car. The amount of fuel it consumes should be justified against the performance it gives. The second benefit that has been highlighted is the affordability of cars. People belong to various social classes and some cannot easily afford to own a car. Most of the car manufacturing companies have added certain offers; leasing companies are doing a lot in this context to make it easier for low income people to own a car. More or less every brand has come up with a variety of models to cater to different social classes.

Another benefit that is very important is that of reliability. Nobody wants that one day while going from his home to office in the morning, his car breaks down or bursts up. Many cars have faced many law suits in the history targeting the issues of reliability. Some of advertisements whether print or outdoor also highlight the benefit of being a reliable car. Spaciousness is another issue consumers look for if their needs are such. Those consumers who have big families and have to move frequently look for car that can transport their whole family conveniently. Thus cars like Santro show this benefit in its ads.

One reason why people would choose a particular model or brand of car may be because of their family members or friends or for that matter some one whom they admire using the same car. The issue of social class appeal also arises. Since consumers decision related to choosing products is hugely affected by their reference groups. Consumers like to relate and associate themselves to things their friends and family approve off and also those things that are fashionable in the eyes of society. Consumers thus also want their cars to be stylish and trendy to display their choice and personality.

Last but not the least is the benefit of being environment friendly. Concerns for a pollution free and safer environment have aroused manifolds in the last few decades. The number of diesel engine cars that were seen previously on the roads has decreased to a great extent. This can be attributed to the fact that both manufacturers and users have become much more aware of the harm they are doing to the environment with their vehicles. Thus now car marketers also highlight this fact in their advertisements that the car they are selling is very environment friendly.

## 4.2.7 Young & Rubicam's Brand Asset Valuator

This is a tool used to measure Brand equity. Each brand is evaluated on four sets of measures. They are listed below:

1. Differentiation measures how distinctive the brand is in the market place.
2. Relevance Measures whether a brand has potential relevance for the respondent. Is it meaningful to him or her? Is it personally appropriate?
3. Esteem Measures whether a brand is held in high regard and considered the best in its class. Is closely related to perceived quality and the extent to which the brand is growing in popularity.
4. Knowledge is a measure of understanding as to what a brand stands for.

These four measures form the basis of two equations:

**Differentiation x Relevance = Brand Strength (or vitality)**
**Esteem x Knowledge= Brand Stature**

Following is the application of the model to evaluate the position of different automobiles on the two dimensions of Brand strength and brand stature.

**Figure 4-19: Y&R Components**
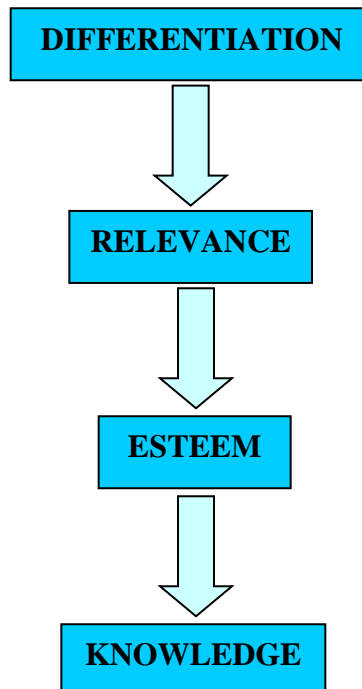


DIFFERENTIATION

RELEVANCE

ESTEEM

KNOWLEDGE

**Table 4-3: Differentiation, Relevance, Esteem & Knowledge Measures for Automobiles**

|                 | Toyota | Honda | Suzuki | Hyundai | BMW | Mercedes | Chevy |
|-----------------|--------|-------|--------|---------|-----|----------|-------|
| Differentiation | 4      | 4     | 3      | 3       | 5   | 5        | 4     |
| Relevance       | 4      | 5     | 5      | 3       | 4   | 4        | 2     |
| Esteem          | 4      | 4     | 4      | 2       | 4   | 5        | 3     |
| Knowledge       | 4      | 4     | 4      | 3       | 3   | 4        | 2     |

(5 being the highest, 1 being the lowest)

Brand strength= relevance * differentiation
Brand stature= Esteem *knowledge

**Table 4-4: Strength & Stature of Automobiles**

|          | Toyota | Honda | Suzuki | Hyundai | BMW | Mercedes | Chevy |
|----------|--------|-------|--------|---------|-----|----------|-------|
| Strength | 16     | 20    | 15     | 9       | 20  | 20       | 8     |
| Stature  | 16     | 16    | 16     | 6       | 12  | 20       | 6     |

**Figure 4-20: Y&R Power Grid; Automobiles**
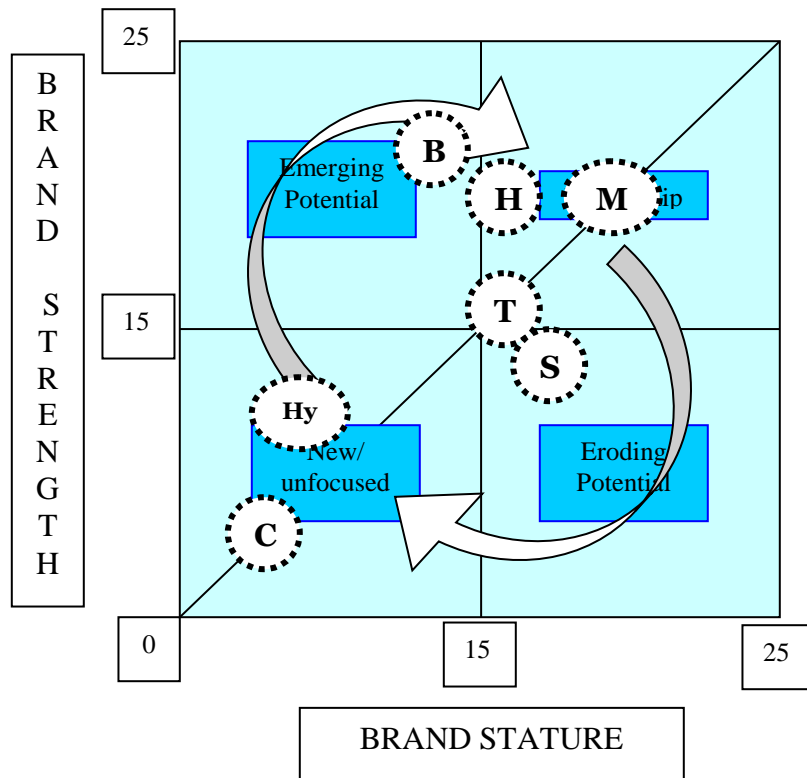


| Toyota | T | BMW | B |
| Honda | H | Mercedes | M |
| Suzuki | S | Chevy | C |
| Hyundai | Hy | | |

The above presentation shows that Mercedes is right now enjoying the leadership position to the maximum, whereas BMW is moving towards this position. Suzuki has

gone into the eroding potential quadrant may be due to its declining quality and increased market competition. Hyundai and Chevrolet are relatively new, especially Chevy and are not enjoying much market share but they have the potential to move towards emerging potential quadrant.

## 4.2.8 Types of Brands

All the brands taken for study in this thesis are family brands. This was among the criteria for the choice of brands to make all the brands relevant and comparable to each other. Family Brand is one in which a company offers a series or group of products under one brand name. These are basically corporate brands and each company has got different brands of cars to cater to varying needs of the widespread consumer base, like Honda has City and Civic, Suzuki has Mehran, Alto and Baleno and the list goes on.

### 4.2.8.1 Brand Elements

**Table 4-5: Brand Elements; Automobiles**

| Name | Logo/ Symbol | Slogan | |
|------|--------------|--------|---|
| Toyota |  | **Moving Forward** |  |
| Honda |  | **The Power of Dreams** |  |
| Suzuki |  | **Way of Life** |  |
| Hyundai |  | **Drive your Way** |  |
| BMW |  | **The Ultimate Driving Machine** |  |
| Mercedes |  | **Unlike Any Other** |  |

| Chevy |  | **Drive the Difference** |  |
|---|---|---|---|

# 4.3 Ad Analysis

## 4.3.1 Toyota Camry

The advert under consideration was published in the "Daily Dawn" on Aug 7th, 2006. This ad is about its car "CAMRY". Toyota has recently introduced this car in the Pakistani market, although it is being used in many other countries. This ad is part of its launching in the country.

### 4.3.1.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-21: Toyota Camry Advert**
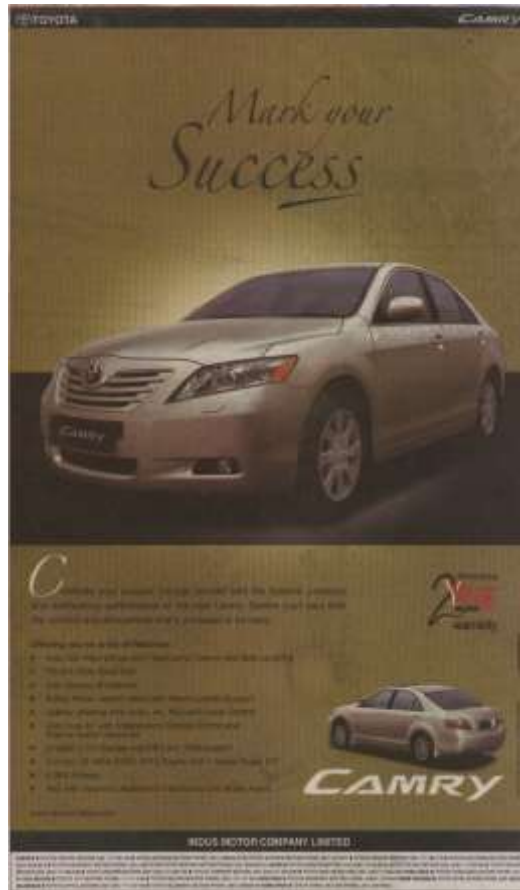


## 4.3.1.2 Description of the Advert:

This advert displays two visuals of the car. More than half of the ad is covered by one image of the car with the tagline which is "MARK YOUR SUCCESS" in black color in a very stylish font, which helps attract the attention of the viewer. The bigger picture highlights the front of the car with a bit emphasis on its left side. The car is standing probably on a road which is black in color. Other image of the car is showing the right side and back of the car and it is almost 20% of the bigger image with a logo of the car Camry.

The color scheme of the advert is that its background is yellowish golden in color that symbolizes brightness. Yellow is the color of sunshine. It is associated with joy, happiness, intellect, and energy. Yellow produces a warming effect, arouses cheerfulness, stimulates mental activity and generates muscle energy. Bright yellow is an attention getter. And when this yellow color gets a golden tone it becomes a bit sober and gives it a prestigious look which enhances its impact. We can say that it is, to some extent, a darker tone of the car being displayed. But around the car especially above it, there is some whiteness to make it distinct from the rest of the area.

Below the image of the car, there is some text in black color in simple font. It states that

"Celebrate your success; indulge yourself with the dynamic presence and exhilarating performance of the new Camry. Soothe your soul with the comfort and atmosphere that's unrivaled in its class."

After this statement some of the important features are listed down, leading the reader to think about the ad and thus registering the car in the minds of the consumers. 2 years warranty is also mentioned in this advert.

**Table 4-6: Brief about Toyota Camry Ad**

| | |
|---|---|
| Advertising Appeal | The advertising appeal being used in this advert is Rationality. This ad is just showing an elegant image and listing down some of the distinguishing features of the car. Thus it forces the viewers to rationally think about the benefits being provided. |
| Message Strategies | It's a mix of Generic messages and the Preemptive messages in the cognitive message strategies. Messages are generic in the sense that the features are listed down, but above those features it is stated that the atmosphere and comfort the car provides are unrivaled in its class, which obviously is a claim of superiority making it a Preemptive Message. |
| Executional Framework | It can be said that the executional framework being used in this particular ad is Demonstration. Although demonstration ads are typically used to show the actual product functioning, but because Print Media is being used and keeping in mind the limitations of the media it is concluded that because the ad displays the car and highlights its features thus the ad uses demonstration framework. |
| Media Used | Print |

**Figure 4-22 : FCB Grid of Toyota Camry Ad**
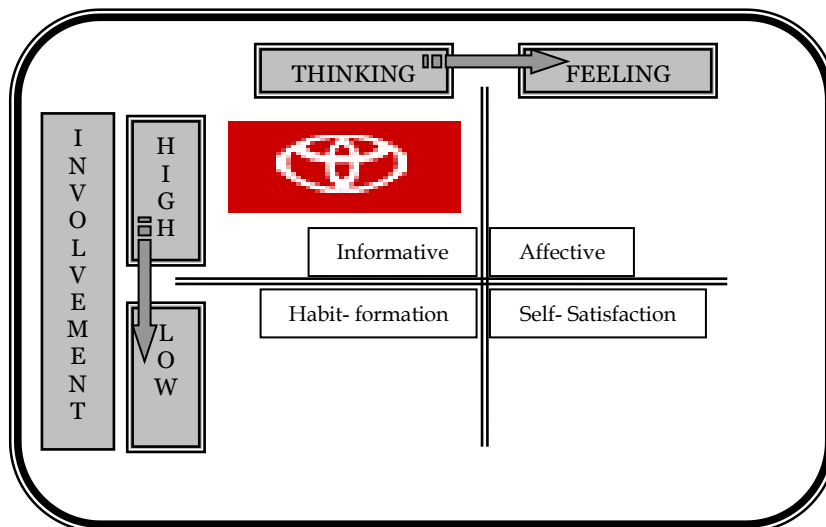
### 4.3.2  Honda Advert # 1

The advert under consideration was published in "Dawn" on Jan 10th, 2006. This ad is generally about the environmental pollution and tries to educate the masses that we need to work together to make the environment safe and sound. It also portrays an image that Honda is really concerned about the atmosphere and the cars it produces are safe for it.

### 4.3.2.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-23: Honda Advert 1**
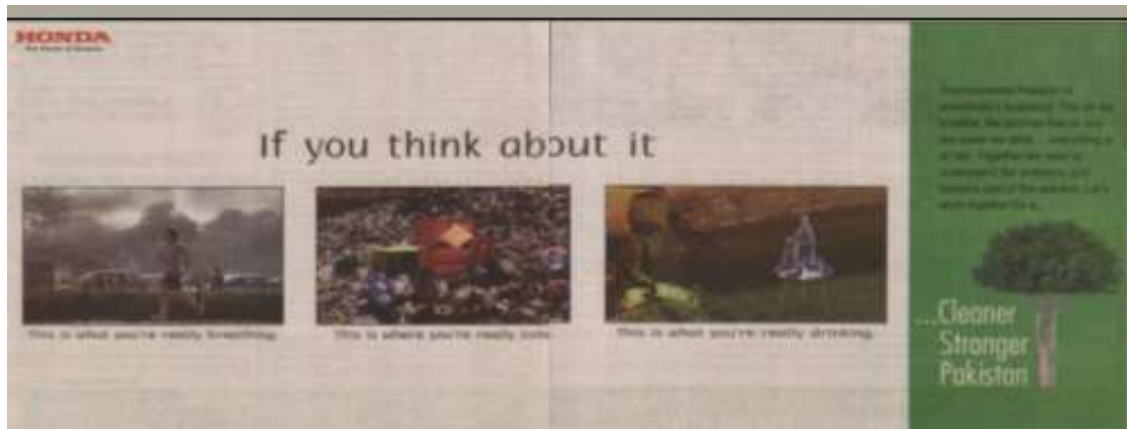


### 4.3.2.2 Description of the Advert

This ad is not about any specific car of the brand Honda, rather it's just about the socially responsible attitude of Honda. They are trying to promote to the general population that what we breathe, where we live and what we drink, all is polluted and thus hazardous for health and thus our future.

Almost 85% of the ad has blank background with three pictures on it with the caption, "IF YOU THINK ABOUT IT", with which it is trying to motivate readers to think and ponder about the atmosphere they live in. The three pictures are depicting three situation, one for Air; breathing, space; living and water; drinking, showing that all of the three situations are highly polluted and that our life is in great danger and if we fail to do something right now, we would be in great misery in coming future, even in the near future.

On the right side of the ad, the remaining portion is with Green background, showing some text and a tree whose trunk is like a key of the car, Honda. Almost all other ads of Honda have this tree in them with the tag line "…CLEANER STRONGER PAKISTAN". Trees are built on the roots and then the trunk and after the trunk are the branches. The trunk of this tree is the key of a car and on that key is a fully grown healthy green tree depicting the strength and the cleanliness and thus linking it with the tagline. Another relation that can be built by seeing this ad is that cars of Honda can be a base for cleaner and stronger Pakistan, like the key is a base for this big tree.

The color used in this advert is Green which is the color of nature. It symbolizes growth, harmony, freshness, and fertility. Green has strong emotional correspondence with safety. Dark green is associated with ambition. It is the most restful color for the human eye; it can improve vision. Green suggests stability and endurance.

Above that tree is a statement about environmental pollution. It is motivating individuals to work collectively to work in this context. It states that

"Environmental pollution is everybody's business! The air we breathe, the land we live on, and the water we drink … everything is at risk. Together we need to understand the problems and become part of the solution. Let's work together for a ….. ….. CLEANER STRONGER PAKISTAN!"

This is a good ad in the sense that is motivates individuals and raises a critical issue and highlights the importance of a collective effort in context of that issue. The tag line, "If you Think About it", catches the attention at once and the readers feels the need to see what the advertiser wants him to think about. And because it is a collective problem, everybody is convinced with the fact that there is a need to do something today for a better tomorrow.

**Table 4-7: Brief about Honda Advert 1**

| | |
|---|---|
| Advertising Appeal | The advertising appeal being used in this advert is a mix of Emotions and Rationality. It is emotional because it fosters that there is a critical situation and some solution needs to be worked out. It promotes the feeling of love for nature and to some extent patriotism. |
| Message Strategies | It is corporate advertising with an emotional theme. Thus it is a mix of Brand strategies and Affective strategies. Justification being that this ad is trying to evoke the emotions of the readers about the environmental health and safety, and at the same time it is promoting its brand; Honda. |
| Executional Framework | It can be said that the executional framework being used is Dramatization. Dramatization is somewhat an exaggerated form of Slice-of-life. The three situations that are shown are faced everyday by everybody, but the way these are being shown is to some extent exaggerated. Real life is not that critical that is being shown in these snaps. But these are good to inculcate the feeing that we better do something right now. |
| Media Used | Print |

**Figure 4-24 : FCB Grid of Honda Ad 1**
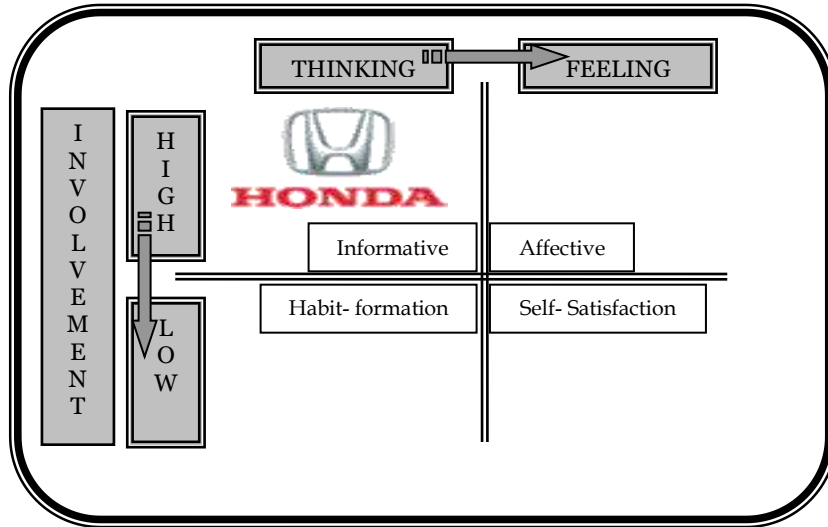


### 4.3.3 Honda Advert # 2

The advert under consideration was published in the "The News" on Jan 16th, 2006. This ad is about the Car CITY.

### 4.3.3.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-25: Honda Advert 1**



92

## 4.3.3.2 Description of the Advert

The background of this ad is plain white with a sky blue touch. The car that is being shown is also blue is color and thus the background is such that it matches with the car. The most prominent thing in the ad which catches the attention at once is the bigger image of the car, which shows its front and right side of the car. This is an extremely elegant image of the car and the overall aura of the ad and the way everything is placed in it makes it highly noticeable.

The color scheme of the ad is white with sky blue. Blue is the color of the sky and sea. It is often associated with depth and stability. It symbolizes trust, loyalty, wisdom, confidence, intelligence, faith, truth, and heaven. Blue is a masculine color; according to studies, it is highly accepted among males. Light blue is associated with health, healing, tranquility, understanding, and softness. On the other hand white color means safety, purity, and cleanliness. White is associated with light, goodness, innocence, purity, and virginity. It is considered to be the color of perfection.

Below that bigger picture is a smaller picture showing the rest of the car i.e., the back and the left side. Adjacent to that smaller image, are two pictures, one showing the engine and the other showing the steering of the car. 1.5L VTEC Steermatic is also being introduced, and this has been mentioned in quite big and noticeable font.

> *"Sinfully sensuous…*
> *…yet sensitive"*

above is the tagline of the ad promoting the car that it is highly luxurious and adorable car but still it is highly sensitive, implying that its best on the performance end as well as on the comfort level.

Below the images is a list of dealers in different cities and on the right side of the ad, as was in the previous ad, is a green portion with a motivational message for a pollution free healthy environment. Same tree with a key as its trunk is shown again in this advert with the tagline "Cleaner Stronger Pakistan". In the same green portion is a superiority claim of being the first Euro 3 complaint car in Pakistan. Euro 3 is an environmental safety standard which try to restrict the emission of different elements to the environment so as to protect it from hazardous substances. Euro 3 requirements restrict hydrocarbon emissions to 0.2 gm/km, oxides of nitrogen to 0.15 gm/km and carbon monoxide to 2.3 gm/km.[149]

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[149] http://www.greencarcongress.com/2006/01/gm_holden_updat.html

**Figure 4-26: Brief about Honda Advert 2**

| Advertising Appeal | The advertising appeal being used in this advert is Rationality. It is just displaying the image of the car with the differentiating components. |
|---|---|
| Message Strategies | Cognitive strategy is being used here, with preemptive claims of Superiority. They are the first once to introduce 1.5L VTEC Steermatic and they have the first Euro 3 compliance, which makes them superior than the rest of the cars. |
| Executional Framework | It can be said that the executional framework being used in this particular ad is Demonstration. Although demonstration ads are typically used to show the actual product functioning, but because Print Media is being used and keeping in mind the limitations of the media it is concluded that because the ad displays the car and highlights its features thus the ad uses demonstration framework. |
| Media Used | Print |

**Figure 4-27 : FCB Grid of Honda Ad 2**
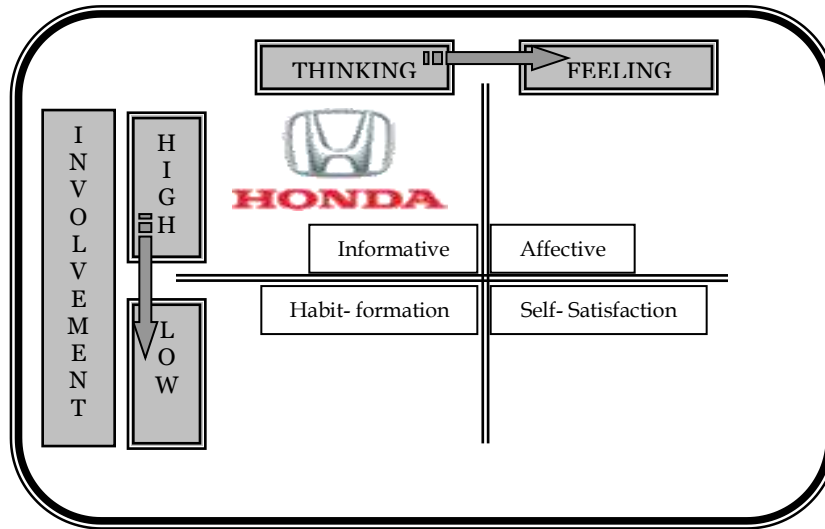
### 4.3.4  Suzuki Liana

The advert under consideration was published in the "The News" on Dec 28th, 2006. This ad is about the Car Liana. Moving up the ladder, Suzuki has launched the car Liana to change its image from only having smaller cars like Mehran and Alto. Suzuki has been advertising heavily about all its cars, especially Liana. Different ads for this car appear from time to time. The description of the particular ad being considered here is as follows:

### 4.3.4.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-28: Suzuki Liana Advert**

## 4.3.4.2 Description of the Advert

Most of the space of the advert is covered by the only picture of the car, which is purple in color. The background shows some huge building, as just the front portion is shown and it is going up. The color of that building and thus the background of the car are in a lighter tone of grey as a watermark.

The only text in the ad is the name of the car below which is the tag line "LIFE IN A NEW AGE", implying that to cater to the needs of the new age and upcoming trends, this car is being introduced in the market. After this tagline is the following statement to create some appeal for the car.

> *"It's Pure Japanese and it's extraordinary.*
> *See it. Feel it. Love it. "*

Suzuki is a Japanese brand and Japanese cars are known for their quality. So this ad is emphasizing on the origin of the technology to make it more authentic and reliable in the eyes of the reader. And they claim that when you see and feel it, you will start loving it.

The color of the car being displayed and thus the most prominent color in the ad is purple which symbolizes power, nobility, luxury, and ambition. It conveys wealth and extravagance. Purple combines the stability of blue and the energy of red. Purple is associated with wisdom, dignity, independence, creativity, mystery, and magic.

**Table 4-8: Brief about Suzuki Liana Ad**

| | |
|---|---|
| Advertising Appeal | The advertising appeal being used in this advert is Rationality. It is just displaying the image of the car. |
| Message Strategies | Cognitive strategy is being used here, with a Unique Selling Proposition. It has been said that the car is Extraordinary and its pure Japanese. It will make you fall in love with it once you see it and feel it. |
| Executional Framework | It's Demonstration. Although demonstration ads are typically used to show the actual product functioning, but because Print Media is being used and keeping in mind the limitations of the media it is concluded that because the ad just displays the car so it uses demonstration framework. |
| Media Used | Print |

**Figure 4-29 : FCB Grid of Suzuki Liana Ad**
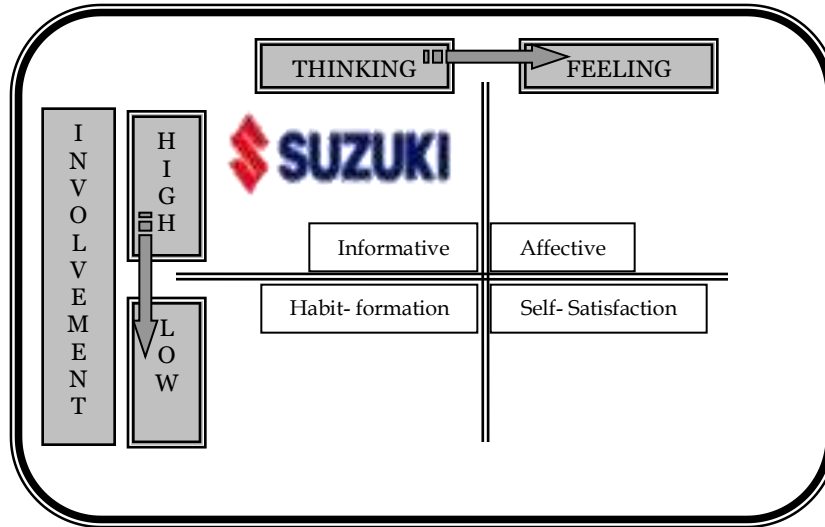


## 4.3.5  Chevrolet Ad 1

The advert under consideration was published in the "The News" on July 23rd, 2006. This is a general ad talking about its nation wide presence and availability of the spare parts.

### 4.3.5.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-30: Chevrolet Advert 1**

## 4.3.5.2 Description of the Advert

Chevy is relatively a new car in Pakistan. They have to create brand awareness, as well as they have to address to the possible concern that might arise in the minds of the consumers. Thus they have published this ad, which is not directed to the promotion of some specific car of the brand Chevy, rather it targets the misconception of lack of availability of spare parts of the car in different cities. To cater to that they have given a map of Pakistan and on that they have highlighted the cities in which they are present. 9 cities have been mentioned, with their central parts depot at Karachi. Although they claim to be present everywhere but this is only true about some of the big cities.

The structure of the ad is that they have used a plain background, divided in two sections. One has a map in green color followed by the claims about their vast dealership network. The other half has got the statement "NATIONWIDE AVAILABILITY OF SPARE PARTS, GURENTEED!" The word "Guaranteed" is Red in color to make it more prominent and obvious for the reader to look at. Red color has a very high visibility. Below this statement are two images, showing two cars, first one being "JOY" and the other being "OPTRA".

**Table 4-9: Brief about Chevrolet Ad 1**

| Advertising Appeal | The advertising appeal being used in this advert is Rationality. They are just making this assurance that they are present everywhere, and the spare parts are easily available. |
|---|---|
| Message Strategies | The message strategy in this advert is Generic messages in the cognitive message strategies. |
| Executional Framework | Executional framework in this particular ad is again Demonstration. |
| Media Used | Print |

**Figure 4-31 : FCB Grid of Chevrolet Ad 1**
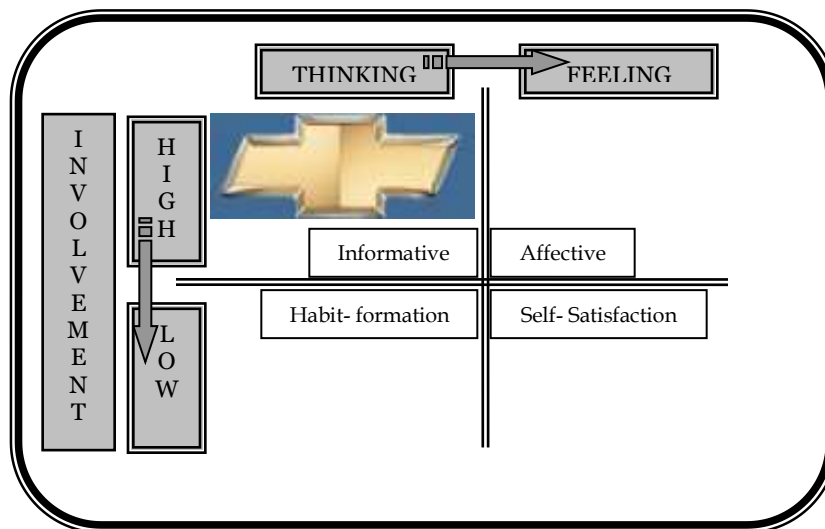
### 4.3.6   Chevrolet Ad 2

The advert under consideration was published in "Dawn" Sports Section on Feb 12th, 2006. This ad is about the car "Joy" by the brand Chevy.

### 4.3.6.1 The Ad

Following is a scanned version of the print ad.

**Figure 4-32: Chevrolet Advert 2**



### 4.3.6.2   Description of the Advert

Shape of this ad is very unique. It is just 5cm wide covering the entire page with its length. It again has a plain background, as was the case with the previous ad of Chevy. As it was on the top of the sports section of the paper, a picture of gloves has been used as a drop cap before the text.

This ad has three sections, first one showing a picture of the car Joy in red color, besides which "I AM CHEVORELT JOY", is written, like the car is introducing itself. Second section has some benefits of the car. As opposed to the typical style of putting the benefits in bullet form, they have opted for a paragraph style, which makes it difficult to read through. The reader needs to really read it all to get the meaning, and nobody spares this much of time for an ad, especially when the product being offered is a new one in the market.

The benefits include spaciousness, air conditioning, smooth and heavy duty suspension, and minor things like a cup holder and a cell phone holder are also mentioned.

Bullet style is also used in the third section to highlight some of the important features. There is no list of dealers, as is mentioned by almost all other brands in all of their ads.

**Table 4-10: Brief about Chevrolet Ad 2**

| Advertising Appeal | The advertising appeal being used in this advert is Rationality. Only the benefits and features that make those benefits possible are mentioned. |
|---|---|
| Message Strategies | The message strategy in this advert is Generic messages in the cognitive message strategies. |
| Executional Framework | Executional framework in this particular ad is again Demonstration. |
| Media Used | Print |

**Figure 4-33 : FCB Grid of Chevrolet Ad 2**
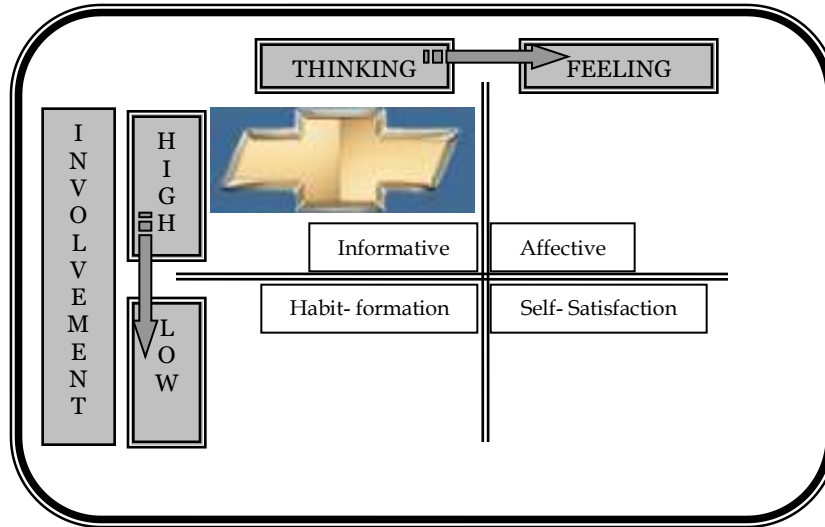


## 4.3.7  Comparison of Different Ads

**Table 4-11: Advertising Appeals in Different Adverts**

|  | Toyota | Honda Ad 1 | Honda Ad 2 | Suzuki | Hyundai | Chevy Ad 1 | Chevy Ad 2 |
|---|---|---|---|---|---|---|---|
| Fear |  |  |  |  |  |  |  |
| Humor |  |  |  |  |  |  |  |
| Sex |  |  |  |  |  |  |  |
| Music |  |  |  |  |  |  |  |
| Rationality | -------- | -------- | -------- | -------- | --------- | ------- | ------- |
| Emotions |  | -------- |  |  |  |  |  |
| Scarcity |  |  |  |  |  |  |  |

The above table clearly depicts that almost all of the ads use rationality as an appeal with the exception of one advert, which uses emotional aspects in combination with rationality. This emphasis on rationality is justified by the fact that cars are a high involvement product and it is very essential that their features and benefits are highlighted in a rational manner to be convincing for the prospective consumers.

**Table 4-12: Message Strategies in Different Adverts**

|  |  | Toyota | Honda Ad 1 | Honda Ad 2 | Suzuki | Hyundai | Chevy Ad 1 | Chevy Ad 2 |
|---|---|---|---|---|---|---|---|---|
| Cognitive Strategies | Generic msg | -------- |  |  |  | --------- | ------- | ------- |
|  | Preemptive msg | -------- |  | -------- |  |  |  |  |
|  | USP |  |  |  | -------- |  |  |  |
|  | Hyperbole |  |  |  |  |  |  |  |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Comparative Ad | | | | | | | |
| Affective Strategies | Resonance | | | | | | | |
| | Emotional | | -------- | | | | | |
| Brand Strategies | Brand User | | | | | | | |
| | Brand Image | | | | | | | |
| | Brand Usage | | | | | | | |
| | Corporate Adv | | -------- | | | | | |

Generic messages are generally used by most of the advertisers, alongwith a bit usage of preemptive themes. Both of these are part of cognitive message strategy which is the presentation of rational arguments or pieces of information to consumers. The advertisement's key message focuses on the product's attributes or the benefits customers obtain from using the product. Only one ad, as has been mentioned earlier uses emotional corporate advertising.

**Table 4-13: Executional Frameworks in Different Adverts**

| | Toyota | Honda Ad 1 | Honda Ad 2 | Suzuki | Hyundai | Chevy Ad 1 | Chevy Ad 2 |
|---|---|---|---|---|---|---|---|
| Animation | | | | | | | |
| Slice of Life | | | | | | | |
| Dramatization | | -------- | | | | | |
| Testimonial | | | | | | | |
| Authoritative | | | | | | | |
| Demonstration | -------- | | -------- | -------- | --------- | ------- | ------- |
| Fantasy | | | | | | | |

Situation is again almost the same as was for the use of message strategies or for advertising appeals. Most of the ads use demonstration to highlight their basic features. Although demonstration ads are mostly suited to advertising on television, but they are also good to be used for the promotion of high involvement products like cars in print media, as their basic features need to be highlighted which can easily be done in written.

# 4.4 Hypothesis Testing

The focus of this research was to look at the preferences of young adults in the choice of brand of cars for themselves. A survey was carried out among the selected target audience, who primarily belongs to a defined age group (20years to 45 years of age) and have a certain income bracket to ensure that they have the capacity to own a car. They also have the basic education and exposure to give worthy comments and their opinions. They were asked certain questions in a questionnaire to judge their point of view. These questions were basically categorized into four distinct sections which were their demographics, their general attitude towards cars, advertising issues and the role of media

pertaining to the advertisement of cars, and finally the loyalty of the respondents towards different brands.

The purpose behind this research was to test certain hypotheses that were stated in chapter three. The hypotheses were formulated, to provide a clear framework and a guide when collecting, analyzing and interpreting data from surveys.

The hypotheses were:

## 4.4.1  Hypothesis 1

*For young adults, the choice of cars is dependent only upon the perception of the car and not the technical features.*

**H1: Rejected**

This hypothesis has not been accepted. The advertising analysis as well as the survey results revealed that perception is not the only component that is important now-a-days for the choice of cars among young adults rather they also look for the technical features. Although car among other possessions is something that conveys the personality of the owner and young adults are very conscious about their self image among their reference group but with increased awareness and exposure, they are relatively more concerned about the performance and technical aspects.

### 4.4.1.1 Survey Analysis- Support

The following table is derived from the data gathered from the survey. *Image* and *reliability* which can be taken as the elements relating to the perception are in second column but *price* is in the first column signifying that it has the most weightage for the respondents, and *performance* is in the second column. *Fuel consumption* is in the third column but if we compare the exact figures against fuel consumption, performance and image, the second highest ratings for the first two goes to 1 and for image it goes to 3, signifying that the importance of perception as a whole is less than technical features for the choice of a cars.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| **Price** | **15** | 10 | 8 | 0 | 5 |
| **Image** | 9 | **16** | 10 | 3 | 3 |
| **Reliability** | 13 | **21** | 4 | 3 | 3 |
| **Performance** | 15 | **19** | 4 | 2 | 3 |
| **Fuel Consumption** | 11 | 6 | **14** | 3 | 4 |

Rating scale: (1; more – 5; less)

It clearly shows that for our target population, perception though is important but the technical features are even more significant for the choice of cars.

### 4.4.1.2 Advertising Analysis-Support

Car is a high involvement product, used publicly involving a reasonable huge investment. It's not only advertising that matters, because impulse purchase is not applicable for the cars. Reputation matters a lot for the choice of brand of cars which is built over time with better promotion and especially performance.

Most of the ads considered in this thesis emphasized on the benefits consumers could get from the respective car. For example, the ad for Toyota Camry had a whole list of features, Suzuki Liana advert stressed on the fact that it's pure Japanese and we all know that Japan has the best technology known for superior performance and reliability. Rational appeal is used in almost all of the ads. But at the same time, we cannot say that perception or persona issues have been neglected in the advertisements. The advertisers do try to give an appealing image of the car by showing one or more attractive pictures and using catchy phrases to catch the eyes and develop a personality for the car. Thus we can safely say that advertisers use an amalgamation of technical features and factors to create a positive image among the target audience.

## 4.4.2 Hypothesis 2

*Level of brand loyalty is not very high among young adults.*

**H2: Accepted**

Hypothesis number two has been *accepted*.

### 4.4.2.1 Survey Analysis- Support

43% of the respondents claimed that they are loyal to their current brand of car, while the rest were not loyal and were willing to switch if another brand hits them with better advertising or is capable to spread enough positive word of month for it to be convincing enough for the target audience. For majority of the respondents, car is just a means of transportation and whichever brand performs better and has reasonable reputation is going to be their choice.

### 4.4.2.2 Advertising Analysis-Support

This hypothesis cannot be judged on the basis of the advertisements alone, because every advertiser advertises with the motive of creating a positive image in the minds of the target audience, to ensure that they not only retain the current customer, but also get new once i.e., to increase the loyalty for their own brand and attract others' customers by giving better features.

# 4.5 Conclusion

The 21st century has changed the way one thinks, acts and reacts. Individuals have seen so many changes that they are prone to the New World of innovation and technology. Automobile is one example that has paved way for more innovation. The main purpose of

automobiles is still there, that is to provide quick transportation from one place to another, but the overall outlook has seen many changes. Automobile has moved from its generic stage to a highly augmented one. No one knows where automobiles are going but they have provided us a small window to look into the future. Different automakers have entered into the industry leading to fierce competition. The Pakistani automobile industry is a high growth sector of the national economy. This sector enjoys heavy protection of the Government. The automakers use various ways and devote a lot of time and money towards developing cars and promoting them, that appeal to the public in all aspects. People are better aware of the technicalities and the trends prevailing in the society. At present, there is a huge demand for cars in the country, leading to flooded roads in all major cities. Leasing and other banking practices have paved the way to this situation. Consumers know what is best for them and only buy what exactly suits their specific needs. Thus car manufacturers have to be well aware of each and every aspect of preferences and personality of the buyer. Emphasizing just on the technical aspects is not enough now-a-days, rather they have to create a personality for their brand and convey that to the target market to let them relate themselves with that personality and be loyal customers of the specific brand. This is a very tough task but manufacturers must be well aware of the market demands. They should keep in mind the questions like:

> *Are cars just machines used for getting from point A to point B, or are they more than that? Do they serve as status symbols and personality reflectors for the target market? What do people want in cars? Etc*

Car is a product and each product has various attributes. These attributes are ways of measuring the product's value in terms of money and customer demand. In order to determine the attributes one must first take into consideration the preferences of the customers which have evolved to a great extent in the past few years. Previously ordinary consumer/buyer was not very much aware in a true sense about the meaning of quality and hence was easily deceived by low quality products. Customers now-a-days demand much more than just a generic transportation machine. Now the era has changed where the fast expanding world market calls for maximum effort for quality and efficiency.

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# 6 Appendix

**Exhibit 1: Questionnaire**

*This survey is part of an MBA research project. Your input is highly valuable and would be kept confidential. Thank you for taking a moment to answer the following questions:*

**1.** Please specify your gender:
- Male
- Female

**2.** Please specify your age:
- Below 25
- 25 to 29
- 30 to 34
- 35 & above

**3.** What is your Profession?
- Student
- Employed in public sector
- Employed in private sector
- Unemployed

**4.** Do you own a car?
- Yes
- No

**5.** Rate the influence of the following attributes from 1-5, in decision of purchasing a car? *Rating scale: (1; less – 5;more)*
- Price
  - 1  2  3  4  5
- Image
  - 1  2  3  4  5
- Reliability
  - 1  2  3  4  5
- Performance
  - 1  2  3  4  5
- Fuel Consumption
  - 1  2  3  4  5

**6.** For you car is:
- Just a means of transportation
- Reflector of your personality and choice
- Status symbol
- Something else, please specify _____

**7.** Which of the following roles will influence you in the purchase of a car?
- Family
- Friends
- Peers
- Superior
- Ideals

**8.** For you to purchase a car, do you think advertising plays a significant role or is it just the reputation the car has built over time with its performance?
- Advertising    Reputation

**9.** Which media do you think is best persuasive to promote cars in Pakistani market?
- Print    Electronic    Outdoors (like billboards etc)

**10.** Would you prefer to spend extra money to purchase a car that is foreign assembled, when the locally assembled cars perform the same generic functions at lower price?
- Yes    No

**11.** Are you loyal to your current brand of car, or will you switch if you get a chance?
- Yes    No

**12.** If yes, then which brand of car do you want to switch to as a next step?
- Hyundai    Honda    BMW
- Toyota    Suzuki    Mercedes
- Chevrolet    Any other, please specify _____

**13.** Rate these attributes from 1-5, for each of the following cars?

**a.** Car: **Toyota**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**b.** Car: **Honda**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**c.** Car: **Suzuki**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**d.** Car: **Hyundai**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**e.** Car: **BMW**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**f.** Car: **Mercedes**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |

**g.** Car: **Chevrolet**

| High Price | 1 | 2 | 3 | 4 | 5 | Low Price |
|---|---|---|---|---|---|---|
| Superb Image | 1 | 2 | 3 | 4 | 5 | Poor Image |
| Highly Reliable | 1 | 2 | 3 | 4 | 5 | Low on Reliability |
| Good Performance | 1 | 2 | 3 | 4 | 5 | Bad Performance |
| Less Fuel Consumption | 1 | 2 | 3 | 4 | 5 | High Fuel Consumption |