A Study on Malaysia Consumer Perception towards Buying an Automobile

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ABSTRACT

This study is to conduct the research to examine the relationships of the factors, particularly perceived quality, perceived value and perceived risk that will affect on Malaysia consumer purchase decision towards cars. Survey using convenience sampling was done at Klang Valley to customers' age between 23 to 65 years old and above. This study showed significant results and the association between the three factors mentioned previously with purchase decision.

Keywords
Purchase decision, quality, value, risk, automobile, Malaysia consumer perception

1.0 INTRODUCTION

According to 23rd AFTA Council Meeting, Malaysia will be a complete free trade area effective from 1st January 2010, with the elimination of duties on over 2,000 tariff lines to promote greater economic efficiency, productivity and competitiveness (Ministry of International Trade and Industry (MITI), 2009). AFTA (ASEAN Free Trade Area) was formed in January 1992 at the 4th ASEAN Summit meeting in Singapore, when ASEAN (Association of Southeast Asian Nations) members (Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei) signed the Singapore Declaration and the Framework Agreement on Enhancing Economic Cooperation, with the objective to increase ASEAN region's competitive advantage as a single production unit (MITI, 2009).

In 2008, Malaysia's total trade with ASEAN was RM297.59 billion (exports: RM171.19 billion; imports: RM126.40 billion). Under Common Effective Preferential Tariff (CEPT) Preferential Scheme, Malaysia exports for 2008 amounted to RM16.06 billion, with RM10.61 billion for the past 6 months (MITI, 2009). From AFTA policy, Malaysia has committed to eliminate import duties on 2123 products, which including 238 tariff lines in vehicles. Of the 'Big Three' markets, Malaysia with the first-half sales of 251,092 units outperformed Indonesia and Thailand to become the largest ASEAN vehicle market (Mark, 2009). This creates an attractive proposition for Malaysia and many foreign car makers intend to access Malaysia market.

1.1 Problem Statement
The elimination of trade barriers among AFTA member states will open up market opportunities for ASEAN exporters to these neighboring countries. The results of decreasing car prices will increase the competitiveness of Malaysia automobile industry. For every single car maker in Malaysia, this becomes their challenge to compete effectively with those foreign car makers among ASEAN countries. Malaysia automobile industry started in the 1960s, and majority of the cars used on Malaysian roads were imported in the Cluster Box Unit (CBU) form. Besides importing foreign cars, Malaysia has launched national cars, PROTON (Perusahaan Otomobil Nasional Berhad) in 1985 and second national cars, PERODUA (Perusahaan Otomobil Kedua Sdn. Bhd.) in 1994.

In order to remain competitiveness in Malaysia automobile industry, it is important for all car makers to know Malaysia consumers' behavior in purchasing automobile after the implementation of new AFTA policy. In short, they must understand whether decreasing in car prices will change Malaysia consumers' purchase behavior towards automobile (in other words, do Malaysia consumers behave the same way as before after implementation of new AFTA policy?) and if so, what factors Malaysia consumers use to make the purchase decision? Will they concern on perceived quality, perceived value, and perceived risk when they want to purchase cars?

1.2 Significant of the Study
This research study is being conducted in order to provide a basis for the assessment of the future automobile industry in Malaysia after globalization, especially after the elimination on duties in AFTA policy, particularly on automobiles. Besides, it's helps to provide information on the marketing strategies to the Malaysian car makers in order to compete in Malaysia automobile industry. It also

updates Malaysian car makers on the latest AFTA policy implement at Malaysia which will affect their business. Not only that, the result of the study is expected to be contributing to the understanding of the 3 factors towards customers purchase decision. As a result, Malaysian car makers will be more aware and familiar on AFTA policy.

Based on AFTA information, they can modify their strategies and making the right decision according to the elimination on duties in order to maintain their competitiveness in Malaysia automobiles industry. Other than that, Malaysian car makers also will have more understanding on consumer insight and making necessary adjustment to fulfill their customers' needs and wants. Furthermore, this research is very useful for the car makers to understand customers' perception when they want to purchase a car in order to do better than their competitors.

2.0 LITERATURE REVIEW

In this section, we are going to discuss the three independent variables (perceived quality, perceived value and perceived risk) and one dependent variable (purchase decision) from the past study done by other researchers. We will define and describe in details on each variable with the supporting literature done by others.

2.1 Purchase Decision (PD)

According to Peter & Olson (2002a), the key process in consumers' decision making is the integration process by which knowledge is combining to evaluate two or more alternative behavior and select one. Most of the large company research consumer buying decision in increasing detail to answer question about what consumer buy, where they buy, how and how much they buy, when they buy and why they buy (Kotler, Armstrong, Swee, Siew, Chin & David, 2005). There are seven stages of the consumer buying decision process which are need recognition, search for information, pre-purchase evaluation alternatives, purchase, consumption, post-consumption evaluation and divestment (Blackwell, Miniard & Engel, 2006). Purchase decision is the fourth stage in consumer buying decision process. According to the Consumer Decision Making Process Model (Blackwell *et al.*, 2006), a purchase or intent to purchase is often influenced by other factors such as risk and involvement. For this study, the researcher has proposed three possible factors that may affect consumers' decision to purchase automobile. The three factors are perceived quality, perceived value, and perceived risk.

2.2 Perceived Quality (PQ)

Perceived quality is a critical element for consumer decision making; consequently, consumers will compare the quality of alternatives with regard to price within a category (Jin & Yong, 2005). According to Davis, Aquilano & Chase (2003), perceived quality is directly related to the reputation of the firm that manufactures the product. However, National Quality Research Center or NQRC (1995) defined perceived quality as the degree to which a product or service provides key customer requirements (customization) and how reliably these requirements are delivered (reliability). Whereas Zeithaml (1988) said that perceived quality is not the actual quality of the brands or products, rather, it is the consumers' judgment about an entity's or a service's overall excellence or superiority. Perceived quality has direct impact on customer purchase decision and brand loyalty, especially during the time customers have less or no information of the products that they are going to purchase (Armstrong & Kotler, 2003).

2.3 Perceived Value (PV)

According to Cronin, Brady, and Hult (2000), perceived value is customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Sweeney, and Soutar, (2001) defines customer value as a customer-perceived preference for, and evaluation of, product attributes, attribute performance, and consequences in terms of the customer's goals and purposes. Stonewall (1992) defined value as function of product features, quality issues, delivery, service and price. He also added that "value is always determined by consumer, in his or her own terms, timing and testaments" and that "value is a perception, a view, or understanding made up of measurable components." Perceived value is a comprehensive form of customer evaluation of service. According to Rust & Oliver (1994), value can be conceptualized as the overall evaluation of the service consumption experience and can be encounter specific or a more enduring global evaluation.

2.4 Perceived Risk (PR)

Perceived risk is defined as the uncertainty that consumers face when they cannot foresee the consequences of their purchased decision. This definition highlights two relevant dimension of perceived risk: uncertainty and consequences. When a consumer make a purchase decision, 'risk' implies 'great consequences of making a mistake' and 'degree of inconvenience of making a mistake' (Batra & Sinha, 2000). According to Zeithaml & Bitner (2003), perceived risk will typically influence early stage of consumer buying process. The notion of perceived risk as a key antecedent to

consumer behavior has been establish in the past and may be factor influencing the purchased decision to buy a car. According to Durovnik (2006), consumers are less interest on purchasing the product that is considers being risky endeavors. Consumer would find out about the quality of a product from those who have first hand experience to reduce the risk of using more time to survey and paying something. Country of origin also has an impact towards the perceived risk. Based on Ahmed, Johnson, Chew, Tan & Ang (2002), consumer infers attributes to the product based on country stereotype and experiences with a product from the country. Consumer may perceive less risk in purchasing product from the countries with a good image.

3.0   METHODOLOGIES

Proposed framework (Figure 1) of the research project is adapted from Jin & Yong (2005). We intend to examine the relationship of perceived quality, perceived value, and perceived risk towards the purchase decision in high contact automobile industry. The purpose of this research is to determine the significant association of the independent variables that can lead customers to purchase an automobile. This research is using descriptive research due to the prior knowledge we have about the problem situation as it is discovered through the past studies.
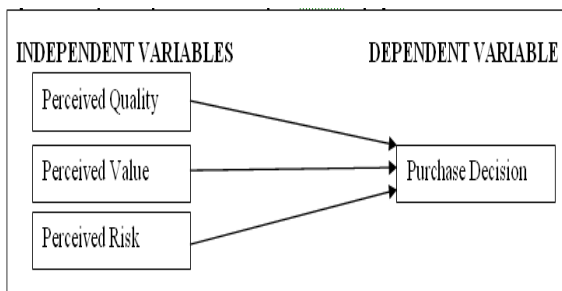

Figure 1: A study on Malaysia consumer perception towards buying an automobile

Questionnaire survey method was used to collect data for this research study. 200 questionnaires were distributed in Klang Valley, due to the ease, reliability, and simplicity. Questionnaires using 5-point Likert scale with anchor of (1) 'strongly disagree' to (5) 'strongly agree' can reduce variability in the results that may be differences and enhances reliability of the responses. Besides, it also simplifies coding, analysis, and interpretation of data. This research is target on customers at the age between 23 to 65 years old and above. As our study context is in high-end product category, so those target population are suitable because they

has higher disposable income and need an automobile as transportation. Klang Valley is chosen as the target location because of high pedestrian traffic and has many car showrooms (UMW Toyota Motor, 2008).

Convenience sampling is used to obtain a sample of element because it is impossible to estimate the probability of the selection for each element in the population. Respondents are selected because they happen to be at the right place and at the right time. Researcher can easily locate the target element in Klang Valley who are willing to participate. Convenience sampling can achieve cost efficient and save time because the sampling units are easily accessible and the proportion of target population has no significance on the validity of the conclusion.

This survey will be conducted on weekdays and weekends to ensure that the sample is included in peak hours and non peak hours. 200 people will be included in the survey. Roscoe (1975) proposed that the rules of thumb for determining the sample size which more than 30 and less than 500 are appropriate for the most research. A pilot test was conducted before the actual survey took place. 20 sets of questionnaires were distributed out during the pilot test to check for the mistake or error occurred within the questionnaire. It is essential to know the weakness and potential error in the questionnaire before actual survey take place. Some changes also been corrected after distributed the pilot test such as grammar error, and spelling mistake.

4.0   SCALE MEASUREMENT

4.1   Internal Reliability Test and Correlation
From the reliability test, all the four variables achieve minimum acceptable level for the alpha coefficient, which are above 0.6. Alpha coefficient for perceived quality is 0.793, measured by 6 items, followed by perceived value, 0.843, perceived risk, 0.747, and purchase decision, 0.857, which measured by 5 items for each of the variables.

Table 1: Pearson's Correlation Analysis

Variables	PQ	PV	PR	PD
PQ	1.000			
PV	0.602*	1.000		
PR	0.506*	0.581*	1.000	
PD	0.642*	0.637*	0.589*	1.000

Notes: *Correlation is significant at the 0.01 level (2-tailed)

Results from Table 1 show significant positive correlation between independent variables (IV) and

dependent variable (DV). According to Hair, Black, Babin, Anderson, and Tatham (2006), multicollinearity occur if the r-value between each pair of IV in Pearson's correlation exceed 0.90. PQ with PV scores the highest value (0.602) among those IV, which is < 0.90. Thus, there is no multicollinearity problem in this study.

4.2 Multiple Regression Analysis and Hypothesis Testing

From Table 2, all the variables has tolerance values above 0.10 (range from 0.534 to 0.624), and variance inflation factors (VIF) values below 10.0 (range from 1.602 to 1.872). Therefore, multicollinearity problem does not exist. Based on Cohen's rules for effects sizes, the coefficient of determination (R^2) was 0.550, which means that 55% of PD can be explained by the three IV. Thus, the effect size for this study is large. The proposed model was adequate as the F-ratio = 79.703 (p-value = 0.000) was significant at 1% level ($p < 0.01$).

H1: There is a significant association between PQ and PD.

According to Table 2, significant value for PQ is 0.000 (β=0.339), which indicates that PQ towards PD is more than 99.99% ($p<0.01$). Therefore, H1 is supported and this indicates that PQ has direct association with PD when customers want to purchase a car. This mean if customers' perceived quality on automobile is higher, purchase decision will be higher and will have high intention to purchase.

Table 2: Results of Multi Regression Analysis

	Unstandardized Coefficients				Collinearity Statistics	
Model	β	SE	t	Sig.	Tolerance	VIF
1 (Constant)	0.954	1.304	0.731	0.465		
PQ	0.339	0.061	5.569	0.000**	0.601	1.66:
PV	0.269	0.062	4.350	0.000**	0.534	1.87:
PR	0.296	0.072	4.101	0.000**	0.624	1.60:
R^2	0.550					
Sig. F	0.000					
F-value	79.703					

Notes: **p-value < 0.01 (two-tailed); Dependent Variable: PD

H2: There is a significant association between PV and PD.

According to Table 2, significant value for PV is 0.000 (β=0.269), which indicates that PV towards PD is more than 99.99% ($p<0.01$). Therefore, H2 is supported, which indicates that PV has direct association with PD when customers want to purchase a car. This mean that, if customers

perceived value on automobile is higher, purchase decision will be higher and they will have high intention to buy.

H3: There is a significant association between PR and PD.

According to Table 2, significant value for PR is 0.000 (β=0.296), which indicates that PR towards PD is more than 99.99% ($p<0.01$). Therefore, H3 is supported, which indicates that perceived risk have association with purchase decision when customers want to purchase a car.

5.0 DISCUSSION AND CONCLUSION

5.1 Managerial Implications

From this research, majority of customers will consider quality when they intend to purchase cars. This result is further supported by Dae & Joon (2009), Tsiotsou (2006), which indicate that perceived quality have positive association with purchase decision. The result is same with others because we adopted the same positive question as others to measure on perceived quality in our questionnaire. When customers want to purchase a car, they look for reliability and durability of the cars. Normally customers think those high quality cars are those cars which adopt advance technology and have high performance that lead to longer lifetime of the cars. Besides, they think that high quality car are more comfortable and help them to save unnecessary repairing cost. Customers refuse to purchase low quality cars because probability of defect for low quality cars are higher and this will end up with high cost in repair and maintenance.

Similar with Ching & Hsi (2007); Mahmud, Uma & Vinod (2008); Eggert & Ulaga (2002), which indicate that perceived value have positive association with purchase decision, our results also indicate that value is another factor customers will concern about when they want to purchase cars. This is because same positive questions have been used in our questionnaire to measure perceived value in our questionnaire as others researchers done. Whenever customers make purchase decision on cars, they will think that whether the cars are worth to buy or not. Customers will think of the value that can provided by a particular car in term of status, personality, and lifestyle. They want to have higher status, unique personality and better lifestyle by driving that car. Thus, probability to purchase that car will be higher if the company able to provide such value.

Finally, customers will consider some risk when they want to purchase cars because car is one of the expensive asset and most of the consumer perceive that car should be long lasting. Therefore, they face

uncertainty if they purchase the unsuitable car that result in poor performance, embarrassment, poor self image and unsafely, which cause them lost in financial risk, physical risk, social risk and performance risk. So, customers will tend to purchase cars that value for money. For this, although it shows the relationship between perceived risk and purchase decision, however, the result is contrast with Yavas (2003); Agrawal (2002); and Ruth & Joe (2001), which show the negative association between both variables. The result is contrast due to the quality of respondents, the use of positive question about perceived risk in questionnaire if compare to all the researchers, where negative question are use to ask about perceived risk.

5.2 Limitations of the Study

Firstly, data collection methods used in this research may not represent the true population of targeted respondent because majorities are Chinese. Besides, most of the respondents came from age group of 23 to 30 years old (Generation Y) and only few from Generation X and Baby Boomers. We also faced difficulties finding respondents in Klang Valley because most of them not willing to provide us information needed. Languages barriers occurred during data collection because majority of the respondents are Chinese who are from Chinese educated background and have difficulties to understand the question being asked in the questionnaire. Finally, results in this study can't be used to generalize the whole population in Malaysia.

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