



# **FACTORS INFLUENCING CONSUMER PURCHASING BEHAVIOR IN AUTOMOBILE MARKET: THE CASE OF HYUNDAI MOTOR VEHICLES, ADDIS ABABA**

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## **ABSTRACT**

In Present Marketing Situation, the Study of Consumer buying Behaviors have become essential. Without consumers no business organization can run. Automobiles are the focus of the research. All the activities of the business concerns end with satisfaction of consumer. In Ethiopia, Addis Ababa, the demand for automobiles is expanding daily. The general objective of this study is to investigate the factors that influence customer purchasing behavior in automobile markets in the case of Hyundai Motors. The study was also guided by the following specific objectives: to determine the factors that affect consumer purchasing behaviors in the Hyundai Motor Vehicle Industry in Addis Ababa, Ethiopia, and to investigate the effect of Demographic, Color, Price, Brand, and latest technology of vehicles on consumer purchasing behaviors. This study used both explanatory and descriptive designs using quantitative data from primary sources. The target populations for the study were consumers of Hyundai Motor Vehicles, which are found in Addis Ababa. The sample size is 384 individuals Hyundai Motor Vehicles consumers. Data were analyzed using the Statistical Package for Social Sciences (SPSS). The results are presented in figures. And conclude that demographic factors, price, brand name, color and technological advancements have their own contribution on purchasing behaviors (decision) of vehicles.

**Key words:** Brand, Consumer purchasing behaviors, Demographic factors, Price, Technological advancement

## INTRODUCTION

### Background of the study

The consumer is the center of a business organization. In some way, or the other, each of us is a consumer. For each of us and each product category, the method by which we purchase goods and services is unique. Consumers are undeniably among the most profitable sources of revenue for businesses. Consumers drive today's market, which is why they are regarded as kings. (Dhanabalan et al., 2018). Before defining consumer behavior, it is important to define the consumer. A consumer is a person or group who purchases products or services for different uses, which may include personal, social, household, and organizational. Consumer behavior is an interchangeable word for Consumer buying or purchasing behavior. Consumer purchasing behavior is the study of how individuals, groups, and organizations select, purchase, and discard goods, services, ideas, or experiences that suit their needs and desires. (Pakasi and Tumiwa, 2016).

The ultimate consumer buying behavior is referred to as consumer buying behavior. (Rani, n.d., 2014). Consumer behavior involves studying customers and deciding why, what, when, and how they buy a product that satisfies their needs (Sata, 2013). Customers prefer to purchase a well-known branded product, need to choose among various brands, demand a suitable marketplace, and trust is what they need most ( Sebelewonegel, 2020).

Humans are sophisticated creatures that frequently appear unaware of their interests. Predicting people's interests is a difficult and complicated undertaking filled with unknowns, risks, and surprises. Accurate predictions can yield vast fortunes, and inaccurate predictions can result in the loss of many birds. Consumers are very important to the manufacturer and seller because, in the end, the products are used and bought by those buyers. Today, business around the world recognizes that and use this word continually, "The consumer is the king."

Thus, different people may be involved in the buying process. The purchaser and the user of the product may not be the same person. In some circumstances, another individual may function as an initiator or influencer by making product or service suggestions without actually purchasing or using them, all of which are to be kept in mind; however, the emphasis in this study is on the buyer (Rani, n.d., 2013). There are a number of research and studies that have been conducted to examine factors affecting user buying behavior of vehicle in America, Europe, India, China, Australia and Kenya.

When consumer buying cars, they consider the following influencing characteristics, those are-

- Price
- Brand image
- Driving comfort
- Production year
- Safety
- Latest technology
- Fuel economy
- Internal space

- Availability of spare parts
- Attractive models
- Color
- Resale value
- Maintenance cost
- Pick up

Price on the road, Brand Name, Engine Capacity, Looks & Design, Fuel Efficiency, Colors Available, Safety, After Sale Services, Engine Capacity, Running and Maintaining Cost, Colors Available, and so on (Sainy, 2018).

#### Problem of the statement

The problem of this study is principally informed by the factors that influence consumer purchasing behavior in the automotive industry. Consumer behavior is defined as the process by which consumers make decisions regarding the purchase and use of vehicles (Laoviwat et al., 2014). Understanding consumers' negative perceptions, fears, inhibitions, and anxieties is a critical aspect of consumer purchasing behavior. Marketers also need to thoroughly understand consumers' preferences and fears, needs, and perceptions before attempting to deal with their behavior. The study helps the company to understand the satisfaction level and preferences of the customers of major vehicle manufacturers and the customer's expectations regarding after-sales service.

Little research has been done in Ethiopia; whilst this topic has been researched worldwide. This paper helps fill this gap in the literature using the consumer purchasing behavior in automobile industry in Addis Ababa, Ethiopia. In the automotive industry, in addition to psychological, personal, cultural, social, and economic factors, there are other factors that affect purchasing behaviors, such as innovation in technology, brand, demographic factors, color, and price of the product.

#### Objective of the study

The objectives of the study are

- The objective is to investigate the factors that influence customer purchasing behavior in Automobile markets.
- To investigate the effect of Demographic on consumer buying behavior
- To investigate the effect of Color on consumer buying behavior
- To investigate the effect of Price of Automotive on consumer buying behavior
- To understand the effect of Brand variable on consumer buying behavior
- To investigate the effect of latest Technology of vehicle on consumer buying behavior

## Hypothesis

Ho1: Demographics have positive effect towards consumer purchasing behavior.

Ho2: Prices have positive effect towards consumer purchasing behavior.

Ho3: Brands have positive effect towards consumer purchasing behavior.

Ho4: Colors have positive effect towards consumer purchasing behavior.

Ho5: Latest technologies have positive effect towards consumer purchasing behavior.

## Definition of Terms

**Consumer-** is the one who consumes / final user of the goods and services produced (Durmaz, 2014).

**Consumer buyer behavior-** the buying behavior of final decision processes and acts of how individuals, groups, organizations select, buy, and dispose of goods, services, ideas, or experiences by consumption to satisfy their wants and needs. (Durmaz & Ta, 2014), (Kumar Sharma, 2014) and (Pakasi & Tumiwa, n.d.).

**Brand** - According to the American Marketing Association (AMA), a " symbol, name, sign, word, design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (Keller, 2003) .

**Price-** is the exchange value of goods and service and it is paid for getting goods and services (Rai, 2006).

**Demographic-** Age, monthly income, degree of education, gender, marital status, and occupation were all factors (Neupane, 2016).

## Significant of the study

Nowadays, The Automotive industry is fast growing and becomes a necessity and forms a part of life. Therefore, there is a significant scope to examine the factors that influence buying behavior of the consumers of Automotives. This study is conducted to determine the different effect of buying behavior like; life style, gender, age, personalities, income on impulse buying behavior of Automotive in Addis Ababa, Ethiopia.

## Scope of the study

Geographical scope of this study is Ethiopia. it is mainly focused in the factor affects consumer buying behaviors in this location. Since the buying behavior of mainly focuses on final consumers, data will collect directly from consumers of Automotive. The study used explanatory and descriptive research design with mixed research approach to analyze the factors affecting buying behaviors.

## Research approach

To conducting research there are three research approaches: qualitative methods, quantitative methods and mixed methods (Jilcha Sileyew, 2020). Quantitative study as a research approach explaining a phenomenon by collecting numerical data that are analyzed using statistical approaches. Qualitative researchers are interested in exploring or explaining phenomena. Qualitative research can give some indication as to the “why”, “how” and “when” something occurs, it cannot tell us “How often” or “how many”. Qualitative study supports the quantitative approach in an attempt to seek more description and interpretation. A mixed method study involves the collection or analysis of both quantitative and qualitative data.

## Methodology

This study is conducted with the help of both primary and secondary data. The following research methodology is adopted in the study.

## Research Design

This study is both descriptive and analytical in nature because it has its own set of predetermined objectives and procedures. The study has made an effort to explain brand preference and how it affects customers' automobile market purchasing decisions.

## Sampling Method

A sampling plan is just a method or procedure for specifying how a sample will be taken from a population. The sample will draw from automobile buyer consumer through convenient sampling method. It will pick more accessible method for reaching the respondent by direct and personal search. In order to make generalization with confidence about the contract under investigation, the appropriate sample size has to be considered.

## Sampling Size

To determine the sample for this study, the study has used the following statistically accepted formulae(Kothari, 2004).

$$\text{Sample size} = \frac{Z^2 \times p \times (1 - p)}{d^2}$$

$Z^2 = 95\%$  of confidence level and equals 1.96

$P =$  sample proportion it is expected prevalence which equals 50% (0.5)

$d^2 =$  is the level of precision or sampling error and equals 5% (0.05)

$$\text{Sample size} = \frac{1.96^2 \times 0.5 \times (1 - 0.5)}{0.05^2} = 384.16 \approx 384$$

Therefore, the sample size of this study is 384 individuals.

## Source of Data

The study investigated based on the data collected from primary sources and secondary source. The questionnaires were used in this study mainly for the purpose of collecting primary and secondary data. Also, this study was supported by both theoretical and empirical literatures.

### Primary Data

The primary data was collected through questionnaires. The questionnaire was framed and survey was conducted for collecting the primary data for study and analysis. A primary data source will be collected from car owners. It gathers through well-structured questioner and interview, even if its costly and time consuming.

### Secondary Data

It was collected from internal sources. The secondary data was collected from existing reports, official records, and statics by authorities and government agencies, newspapers, management books, car market data and information sectors, the internet, web sites and other marketing reports.

The study was questionnaire as a quantitative data collection instrument that helps to cover larger target groups than the interview. The questionnaire will prepare using 5 Point Likert-Scale approaches (i.e., from “Strongly Disagree to Strongly Agree”). According to Creswell (2007), open-ended questionnaires are appropriate when the objective is to discover opinions and attitudes. Accordingly, respondents will ask to indicate their level of agreement on 5-point Likert scale with the following ratings; Strongly Disagree (1), Disagree (2), neutral (3), Agree (4) and Strongly Agree (5) for ordinal scale measurement and to generate data suitable for quantitative analysis.

## Results and Discussion

This section shows the analysis and interpretation of data used for the study. All the detailed analysis related to the topic factors influencing the consumers towards buying Hyundai cars in Addis Ababa district as discussed here.

The study recommends the need for automobile companies to consider consumers' demographic characteristics such as age, gender, marital status, occupation, education and income when designing the products to offer into the market. This is because demography factors are vital and measurable statistics of a population that s helps to locate target market; they are easier to measure and are suitable for psychographic and sociocultural studies. Additionally demographic factors have a huge impact on the assessment of different features which are generally associated with consumer behaviors.

### Gender of the Respondents

Figure 1 presents findings with regards to the gender of the respondents. As seen in the table below majority of the respondents were female (51.3 percent), followed by men who were 48.7 percent. These findings indicate that women prefer to purchase Hyundai motor vehicles as compared to male.

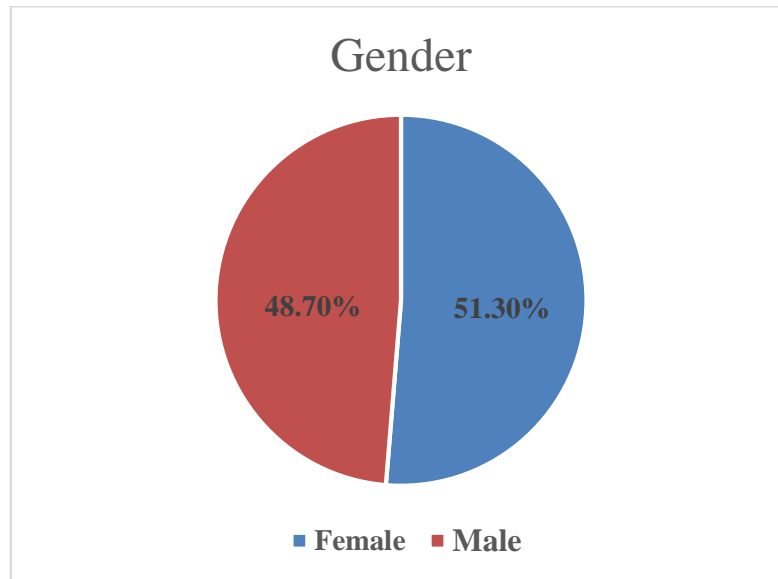


Figure 1: Gender of Respondents

#### Age of the Respondents

Age is critical to the choice of motor vehicle one purchases and as such it was important for the study to include it among the variables under study. As indicated on the above table 4.2, the age group has been categorized into five classes. As it can be seen from the table below, majority of the respondents are within the age category of 25-35 years 111 (32.5%) followed by those respondents under the category of 31-45 years 108 (31.6%) and 46-60 years 91 (26.8%) respectively. The remaining 32 (9.3%) of the respondents are above the age of 60. From this, we conclude that Hyundai motor vehicle in Addis Ababa city have a majority of young consumers.

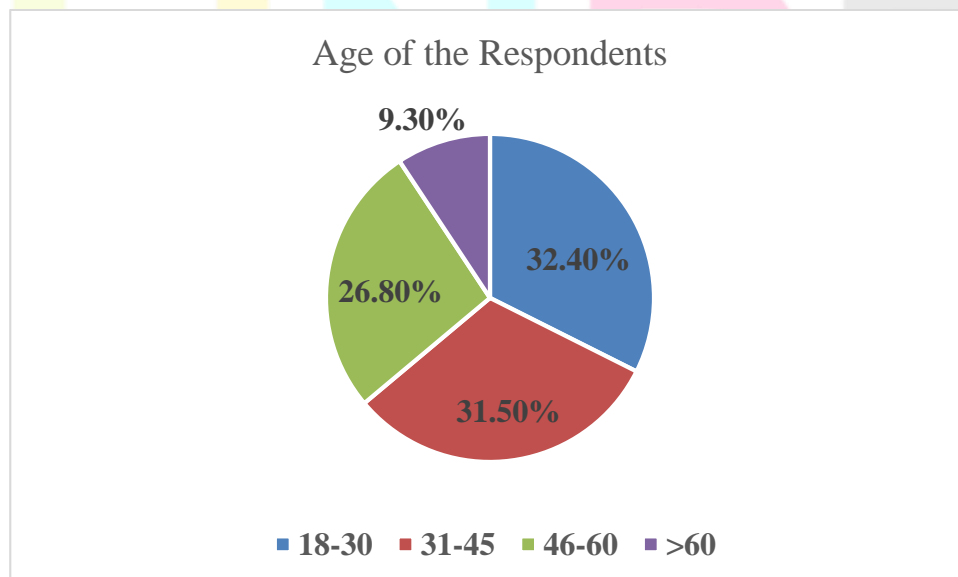


Figure 2: Age of the Respondents

## Monthly Income

As it is shown on figure 3 below, most of the consumers the beer 133 (38.8%) have a monthly income of birr above 15,000. It can also be seen that the next greater salary paid respondent's 128 (37.3%) had a basic salary of birr 10,001- 15,000. 17.5 % (60) of respondents hold salary of birr 5,000-10,000. On the other hand, relatively less number respondents 22 (6.4%) had a basic salary of below 5000 birrs. 76.1 % of consumer have above 10,000 incomes. This shows that most of the consumers of Hyundai vehicle have above 10,000 incomes.

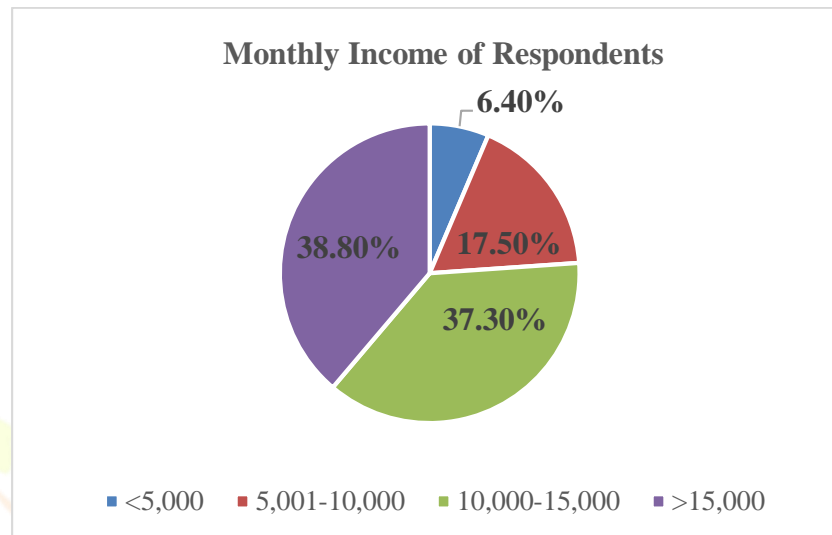


Figure 3: Monthly Income of Respondents

## Respondents' Responses

Respondent of responses on the factors that affect purchasing behaviors, such as- Price, Fuel efficiency. Brand name, color and technological advancements.

The first consideration when purchase their cars from 384 Hyundai car users 100 (29.2%) of user consider the fuel efficacy, 86 (25.1%) consider the latest technology that exist in Hyundai motor vehicles, brand name 74 (21.6%) of respondents consider its brand name, finally 49 (14.3%) and 34 (9.9%) of the respondents answer color and price of the vehicle the last thing they considered respectively.



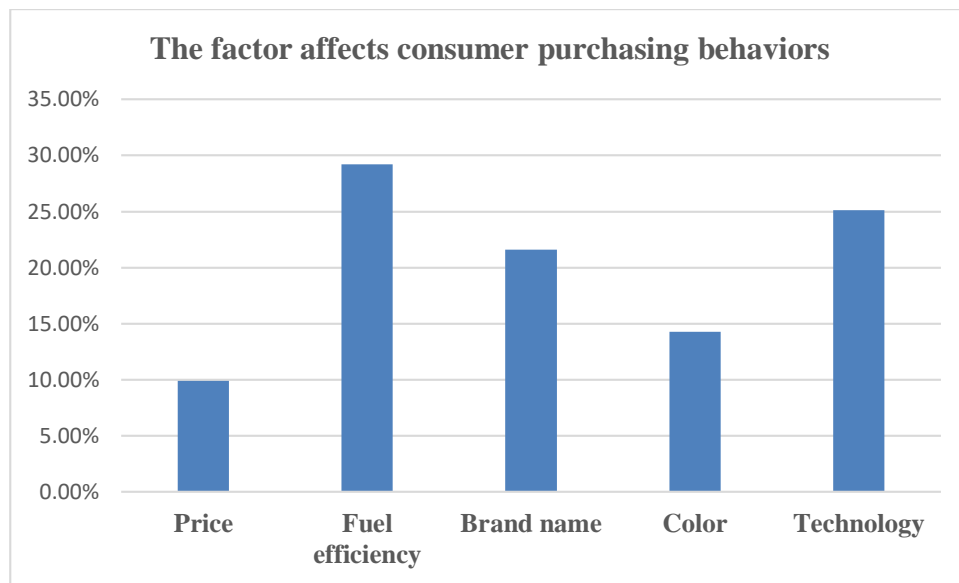


Figure 4: The factor affects consumer purchasing behaviors

**Effect of Price and purchasing behavior**

One of the objectives of this study was to investigate the effect of Price of Automotive on consumer purchasing behavior in Ethiopia Hyundai motor vehicle.

Price is a determining factor on the choice of car I'd buy” for this question from 343 respondents, most respondents 245 (71.4%) are strongly agree by the effect of price in the purchasing decision of their vehicle.

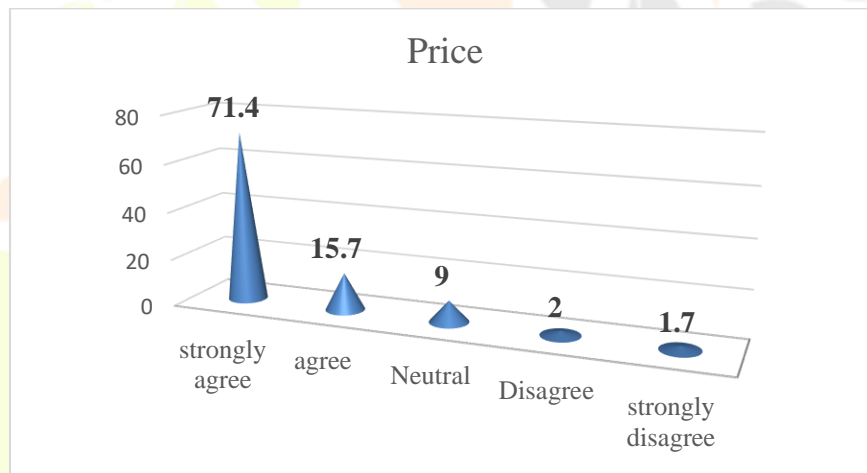


Figure 5: Price Respondents

**Color effect and purchasing behavior**

As shown in the below chart most of the respondents prefer gray, black and white color (107) 31.2 %, (96) 28 % and (94) 27.4 % respectively. Blue 27 (7.9) and red 19 (5.5%) are the least preferable color in Hyundai motors.

From the above chart most Hyundai users prefer gray and black cars there for car sellers should have focused on those colors to fulfill the consumers need.

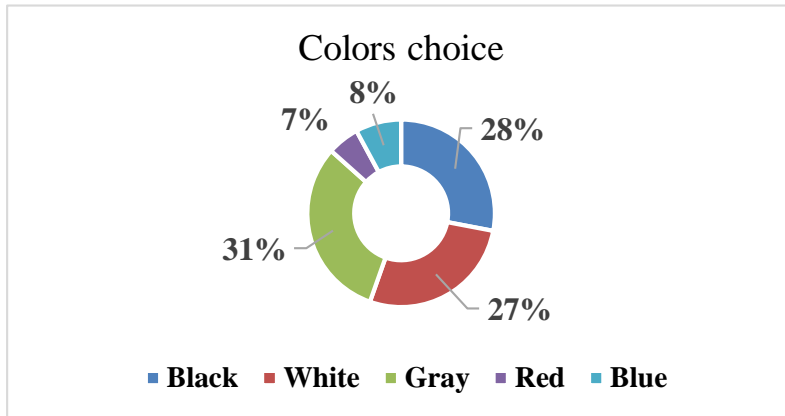


Figure 6: Colors choice

**Brand and purchasing behaviors**

The decision of consumers in the selection of products made by different businesses is influenced by brand (Bharat et al., 2021). As the consumer is more aware of the brand quality and the more, they will be attracted towards that brand. The engine power, models, resale value, spare part accessibility, eco-friendly, safety, high quality product etc. related to brand name. 48.1% respondents strongly disagree to consider other vehicle products they prefer Hyundai motors no matter what. From 343 respondents 15.2% strongly agree to consider other brand products when the price gets higher. There for Brand is one of the factors that influence purchasing behaviors to stick with that brand or consider another brand.

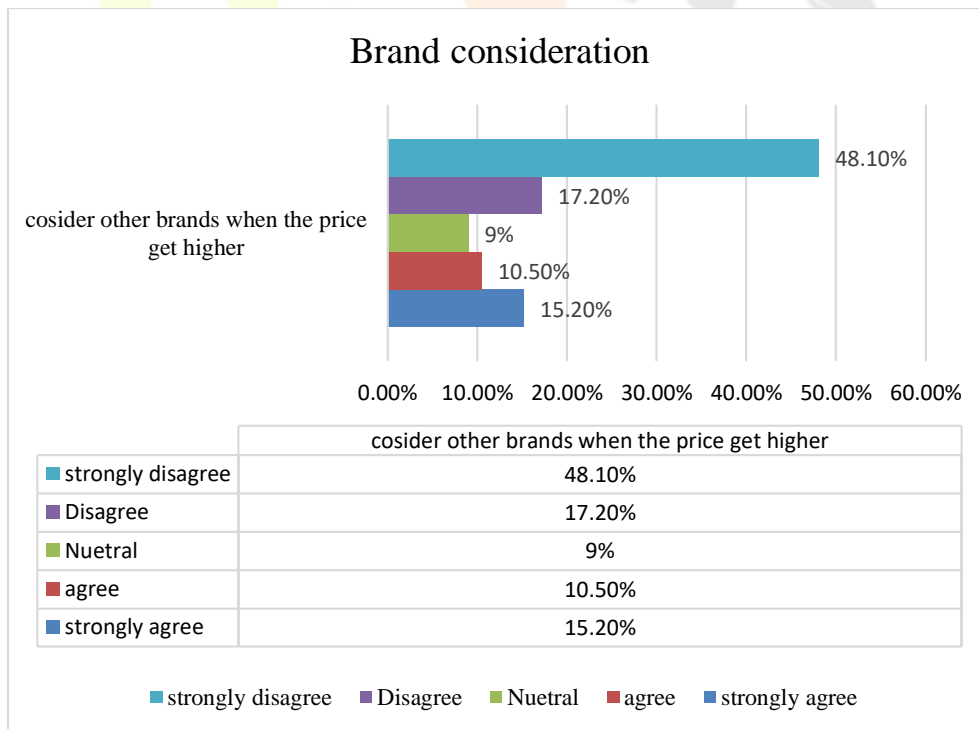


Figure 7: Brand consideration

## Technology and purchasing decision

Fast development of technologies, economic globalization and many other external conditions stimulate the changes in consumer purchasing behaviors. More than 50% of respondents prefer a vehicle with latest technology additional to other factors. Most respondents 126 (36.7%) and 82 (23.9%) strongly agree and agree respectively technology have its own influence on purchasing behaviors.

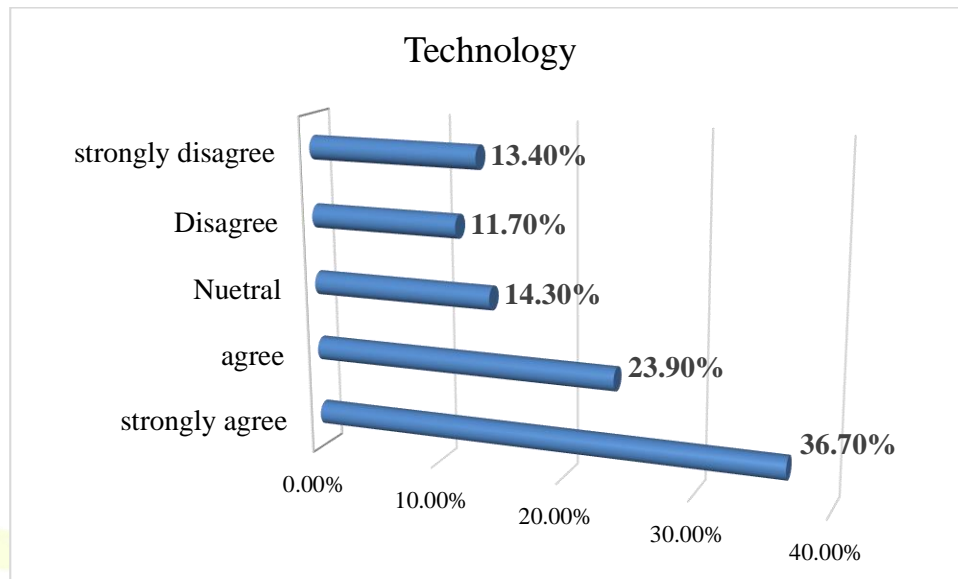


Figure 8: Technology and purchasing decision

## Conclusion and Recommendations

### Conclusion

In Ethiopia, especially in Addis Ababa the demand for cars is increasing day by day. Consumers make many buying decision every time. Consumers always want to get the products as well as satisfying the requirement to meet their basic needs. People have different needs and desires, so as their behavior is different. Because of that in different people there is a different purchasing behavior. Consumers always want to get the products and services as well as satisfying the requirement to meet their basic needs. Price of the car alone doesnot influence the buying process. There are other factors additional to its price to affect purchasing behaviors, such as demographic factors, brand name, color and latest technological advancements.

Consumer purchasing behaviors (decision) is influenced by demographic factors, Brand name price and Color of the car and also the technological advancements. The study used accessibility sampling technique in which 384 Hyundai motor user respondentswere selected.

This study indicated that while automotive sellers join to the market, they should consider demographic variables such as age, gender, marital status, occupation, education, and income. Demographic factors have enormous impact on the assessment ofdifferent features which are generally associated with consumer purchasing behaviors.

Generally, as users or buyers of products (services), consumers are the central point of the entire marketing processes that everyone experiences in their day-to-day activities. The study helps the Company to know about satisfaction level and preferences of the customers of major vehicles seller companies and the customer's expectations regarding after sales service. This research helps the understanding of factor affecting consumer purchasing behavior for decision making towards the automotive products. This is helpful for new entrant to the business, researchers and import and exporters.

#### Recommendations

The study recommends for additional studies on this area of study since the motor vehicle industry is one of the fastest growing industries in Ethiopia. Additionally, it is important for other researchers to consider carrying out vast studies in this particular area since the present research was merely considered Hyundai motor consumers.

A recommendation to be made for future studies on this topic would be to expand the sample on terms of different brand vehicles.

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