THE ROLE OF FINANCIAL SERVICES IN THE DECISION MAKING PROCESS OF NEW VEHICLE BUYERS

by

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Chapter 1 – Orientation

1.1 Introduction

The purchase decision-making process in a South African automobile context is a very complex one. The unique socioeconomic nature of the country means that certain factors such as financing for the purchase will become much more important locally than in an international context as more previously disadvantaged individuals enter the industry as consumers. The study, with a major focus towards the role of financing of the purchase, will identify the how finance affects the process undertaken by South African households when making the decision to purchase a new motor vehicle. This will help to better understand the consumer and how they should be marketed to.

1.2 Problem Statement

Marketers within the motor industry have many traditional ways of influencing customers that relate to the purchasing decision making process. Traditionally, marketers have used awareness techniques as well as unique selling points related to the vehicle itself to entice buyers. Factors such as price, features and performance are commonly used. But how does the buyer understand the value they are receiving from their purchase?

In many cases, vehicles are financed and paid off over an agreed period through a retail bank or vehicle financier. The problem in the research is to find out where finance fits in to the customer's decision making and therefore where does finance fit in to the overall vehicle purchase decision making and does this vary from customer to customer.

1.3 Purpose and Importance of the study

The main thrust of the research will be to understand how the purchase of finance influences the process that customers undertake when purchasing a motor vehicle. This will be to ascertain how finance affects each part of the decision making process and how this compares to the pure vehicle purchase.

Concurrently, the research will determine the importance of age and experience from a finance context and understand how this affects purchasers of different age and experience profiles.

This analysis will provide the major market related benefit of the research, as it will enable motor manufacturers and their finance partner companies to better understand who and what to direct market strategies to, and at what point in time. The focus of the research within this point will be what factors the marketer can control within each phase of the decision making process and how this can be improved by understanding how customers' buying behaviour varies by age and experience with regards to finance.

The study holds particular significance to the vehicle finance industry, as the study should determine where vehicle financiers fit into the customers mind when making decisions to purchase. The study will give insight into how financiers should approach this issue for the customer and where finance should be available.

The study will help identify the factors of importance for high-value finance purchases for LSM 9-10 where it is defined (South African Advertising Research Foundation, 2003: 4) that this category possesses a motor vehicle within the household. An age analysis will also be conducted, against which both the major factors considered, as well as the sub-factor of finance, can be evaluated. This will help the study to determine the effects of age in the relative importance of decisions in the vehicle purchase decision-making system.

1.3.1 Research Objectives

The **primary objective** of the research is to determine the relative importance of financial services in the decision making process that households in LSM 9-10 undertake when purchasing a vehicle in South Africa.

The **secondary objectives** are:

- To determine an age profile against which finance can be measured within the decision making process to highlight how age affects the importance of finance as a factor within this process.
- To determine a buyer experience profile against which finance can be measured within the decision making process to highlight how buyer experience affects the importance of finance as a factor within this process.
- To determine where finance has the greatest impact within the decision making process and therefore where the greatest joint marketing opportunities exist for motor manufacturers and vehicle financiers.

1.4 Literature Orientation

The research focus is the decision making process. A model of the decision making process is defined by Hawkins et al (1998:27). This is an overall model of consumer behaviour, but has a situation component that defines the purchase decision making process. It also notes that there are external as well as internal influences along with self concept and lifestyle that make up the facets of how consumers behave. But for the purposes of the research, the decision making process will form the main focus.

This model identifies 5 stages; problem recognition, information search, evaluation of alternatives and selection, outlet selection and purchase decision and the post-purchase process. This will serve as the basis from which to analyse factors within each phase of the decision-making process for motor vehicle purchases.

The stage of problem recognition is primarily concerned with the perceived difference in customer desired state and actual state. In this case the customer is likely to then take steps to try to solve this problem. This may not instantly result in a purchase being made, but the problem has been recognised by the customer.

The next phase in the process is that of information search. This phase entails the customer gathering information regarding the choices available to solve the problem recognised in the first phase. This phase presents some of the best marketing opportunities as the customer is seeking out information to aid in the purchase decision.

It has been found that consumers tend to seek more information when the importance of the purchase increases. (National Academy Press 2000). This is definitely the case with a vehicle purchase and therefore any information the customer can get hold of will be used. Together with this information on new technologies is essential to the changing of customer perceptions. The massive investment into alternative fuels by leading manufacturers has meant a high volume of information concerning these innovations.

Both of the above phases can have greatly varying timeframes due to several factors associated with household purchases. Tilley (2000: 92) identifies this as decisions within the household that may be consensual or accomodational. These two types have different time frames, as persuasion and bargaining under accomadational will greatly increase the time taken in the evaluation and choice phase as defined by Hawkins previously. Conflict resolution was identified as an integral part of any household decision by Tilley (2000: 96) and this must be borne in mind when identifying time frames in the purchase process.

The next stage in the process is evaluation of alternatives and actual selection. Our study will focus on both the vehicle and finance purchase and the evaluation thereof. In this phase the customer will make a value decision on what they believe to be their best alternative. The marketer’s efforts in earlier phases can have an effect herein. The type of evaluation can also vary between groups; in the USA, it was found that women were more vigorous in their financing evaluation. (USA Today: 2003).

The changing nature of how customers buy is also a factor under this phase. Jackson (2003) estimates that 7% of U.S. households will purchase vehicles on-line by 2007, a figure up from just 0.4% in 2002. This means that the traditional dealer network will have another partner on-line that can help in selling the product. In most cases the Internet will more than likely be used as an information source and this is likely true in a South African context. Most finance organisations have already made facilities available to facilitate finance and purchasing.

The penultimate phase is that of outlet selection and purchase. In this phase the customer will decide where to buy and actually make the purchase. The marketer's role is still important in this phase as poor retail delivery can cause the customer to revisit phase 3. The final phase is then concerned with the post-purchase events and the customer's evaluation of their purchase. In this phase, the marketer still has a vital role to play in that they need to understand how to reinforce the decision made and try to establish loyalty.

Customer loyalty is a vital issue and Glanz (1994: 40) identifies the need for perceptions and experience to surpass expectations in order to produce satisfied and hopefully, loyal customers. Equal treatment does not mean equal satisfaction due to a multitude of factors. Therefore each customer must be treated individually within a mass context in order to produce satisfaction and repeat business.

Tapp (1998: 333) identifies the importance of database marketing and its links with research and how this provides detailed information for the marketer. The study emphasises that companies must understand that all customers are different and place more emphasis on the customisation of marketing to groups of customers rather than one strategy for all customers.

1.5 Methodology

The study will be conducted using vehicle finance customers from BMW Financial Services. This includes customers from sub-brands MINI Financial Services and Alphera Financial Services. Alphera Financial Services encompasses all non-BMW or MINI finance and is conducted on both a direct and indirect (dealer) basis. Customers who have purchased in the past 12 months will be used.

The access to information from the above company will play a vital role in the study and this will be expanded upon later in the research. The study will take a focused look at the more affluent household (LSM 9-10) due to sample frame being used. A country wide empirical research survey will be conducted in a web-based survey administered via e-mail and there are therefore no geographical limits to the study within South Africa.

The study will identify the relevant importance of factors within the process of decision making and how financing weighs up against the other factors in the process. The study will also have the focus of age and buying experience - this is to say that the effects of age and buying experience as factors will be determined for its effect from a financial perspective.

The study will take the form of a classical quantitative questionnaire. The issues of sampling, questionnaire design and data management will be discussed in Chapter 3. The sampling will be done on a stratified probability basis and the questionnaire will be web-based and administered via e-mail.

One of the major concerns when conducting a study electronically is the issue of limited access to technology. This is not an issue in this case as one can deduce that the majority of customers on the sample frame will have access to an e-mail address. The SAARF identifies the LSM groups 7-10 as having a personal computer within the household.

The sampling technique will be one on the basis of probability from the sample frame that will comprise people who have purchased vehicles and financed with BMW Financial Services within the last 12 months, whether it is new or used vehicles, the purchase itself is important. The sample frame is divided into age strata. Respondents are then drawn from each stratum using n-th sampling. Valentine (2004:62) notes that Wesbank (South Africa's largest vehicle financier) has 38% of its client between 18 and 34 years of age, 31% between 35 and 49 and 16% between 50 and 64. We expect BMW Financial Services split to be more even due to the nature of its customer base and the more expensive vehicles financed.

Once a sample has been drawn, qualified and selected, it will be necessary to disseminate the research questionnaire. The questionnaire will be based largely upon the research objectives, so as to measure the data to determine what was initially set out. Therefore the first issue to be determined/tested is that of the factors considered in the vehicle finance purchase process. These will be drawn from literature and qualified during pre-testing of the questionnaire.

The data collection and analysis will be done in collaboration with the Statkon facility at the UJHB in order to ensure that the correct results are obtained and that there is no researcher bias in terms of determining favourable results from the research. These results will then be critically evaluated and conclusions drawn from the analysis of the data against the objectives and hypothesis of the research.

1.6 Clarification of key concepts

The key concepts of the study is the process that is undertaken by customers when engaging in a purchase decision as defined by Hawkins et al during the literature review, and how finance fits into that process for vehicle purchase in South Africa. The process of defining the relative importance of the factors within this system with a distinct vehicle finance slant is of great importance.

The concept of age and experience as factors in the relative importance of decisions will be evaluated. The different time taken for information and financing will show how some decisions become routine for customers in certain age and experience brackets.

1.7 Chapter Outline

The following chapters will be part of the dissertation:

Chapter 1 *Orientation*

Chapter 2 *Literature Review*: The decision making process will be described herein and the marketing implications thereof. The role of finance from a theoretical perspective will be discussed and the marketing implications of this theory for both financial services marketers and motor manufacturer marketers.

Chapter 3 *Research design and methodology*: The sampling design, questionnaire methodology, data collection and data analysis will be discussed.

Chapter 4 *Report on research findings*: A report on the outcomes of the research will be analysed and discussed.

Chapter 5 *Conclusion and Recommendations for future research*: The research will be concluded in the form of a summary; together with where the study creates scope for possible future studies.

2. Chapter 2 - Literature Review

2.1 Introduction

The consumer is faced with many influences when making a purchasing decision. The complexity of these choices is escalated when the importance and implications of the purchase escalates. This is definitely the case when dealing with high value purchases. Roberts (1998:98) notes that with increasing access to information and technology, customers will always have greater expectations of products and services of higher quality without a higher price.

Some of the influences that face the customer as identified by Hawkins (1998:476) include, cultural influences and variations in purchase; changing society and values; demographics; subcultures; family and household influences; group influences and thinking; communications; perception; learning; memory; product positioning; motivation; personality and emotion; attitudes; self concept and lifestyle.

It is clear from the above list that consumers are faced with a great amount of influences when purchasing, many of which are moulded over time and many of which are more sub-conscious than conscious. It is the job of the marketer to control the variables and factors within their control to maximise their product offering to different groups of customers. Valentine (2004:1) notes that it is important for a motor dealer/salesperson and motor manufacturer to understand the purchase rationale to ensure that promises are delivered to the customer throughout the decision-making process.

The process itself is very important in this research. The process is being applied to vehicles and vehicle finance although they have quite different focus points for customers and marketers. The process itself is able to cater for the two product types and can even be applied to non-purchase events such as seeking employment as explained by Blackwell et al. (1993:170) when using it for this purpose to demonstrate its flexibility.

2.2 The South African Vehicle Industry

A motor vehicle purchase is high in its complexity. In South Africa, the lack of a reliable and flexible public transport system has meant that an overwhelming segment of the population is effectively forced into having their own transport available. Given the size of South Africa geographically, it is a necessity that many individuals are able to move freely without a fixed schedule governing their travel. For the above reasons, cars are a reality and necessity for the vast majority of the economically active population in South Africa.

As a deduction from the above, there are therefore millions of consumers that require vehicles in South Africa. This then brings us to an opportunity that characterises the 600 000+ annual new vehicle market in South Africa (NAAMSA: 2006). By extrapolation, on the finance side there are hundreds of thousands of vehicles requiring finance when purchased each year and this represents marketing opportunities to capitalise on this industry in South Africa.

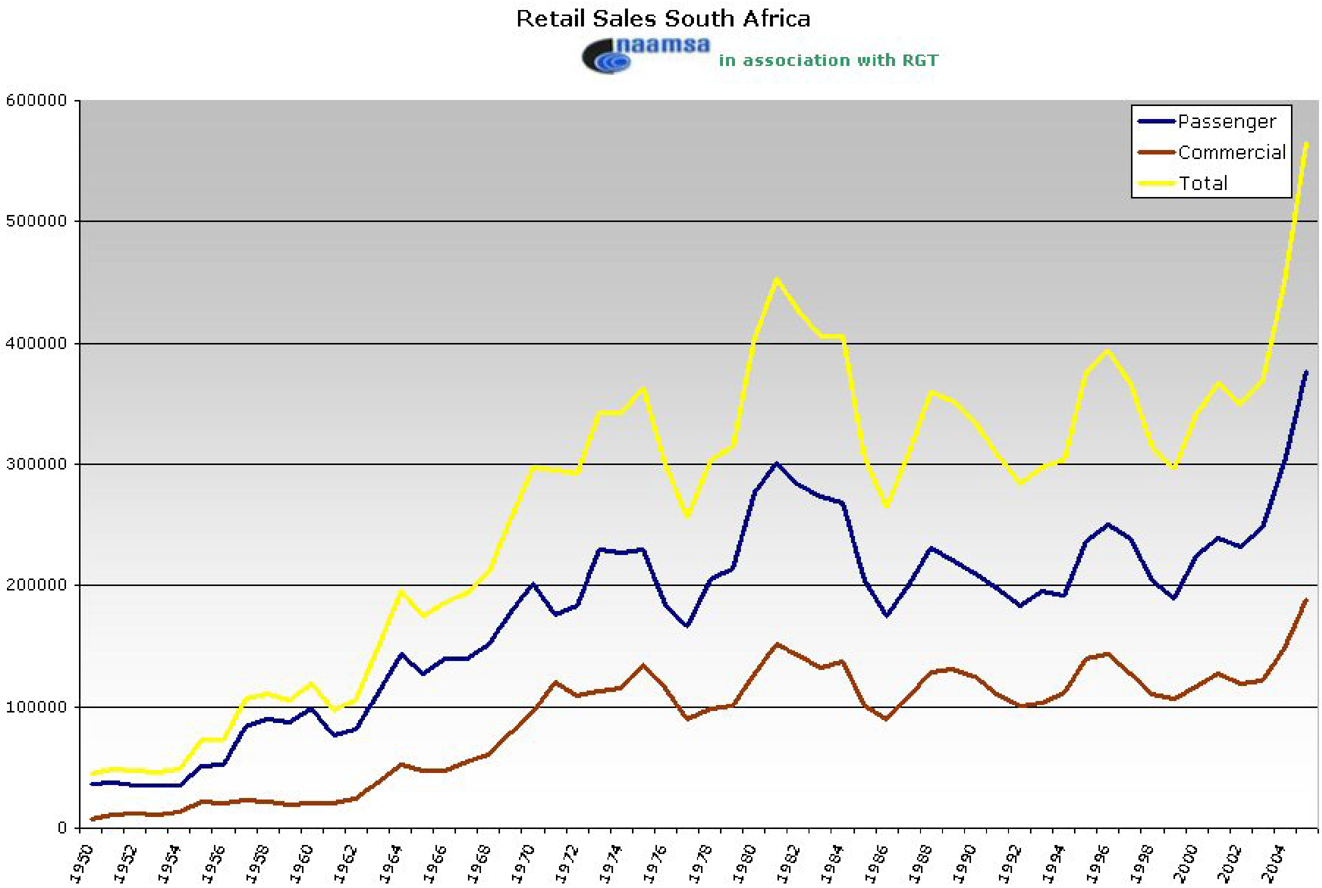


Fig 1: New Vehicle Sales in South Africa. NAAMSA (2006)

Valentine (2004:58) points out that economic factors have a huge impact on the vehicle industry in South Africa. She notes that the Prime Interest Rate is the most important factor influencing new motor vehicle sales. Due to interest rates making vehicles more affordable or putting them outside of someone's budget.

The second most important factor is noted as disposable income levels and personal tax rates. The two factors listed above show why vehicle sales have hit all time highs from 2003 onwards as the annual personal tax cuts have been combined with historically low interest rate levels.

In the case of finance, the customer's choice will be shorter due to the choice availability and the packages available. In South Africa, the vehicle finance market is far less mature than in bigger markets. The amount of manufacturer/financier collaboration is far lower, although maturing at a rapid pace over the past 10 years. This is borne out in the fact that there are still only 2 captive financiers in the market, owned by the manufacturer, namely BMW Financial Services and DaimlerChrysler Financial Services. The other manufacturers have joint ventures with retail banks.

The captive model allows for easier, longer-term and more effective subvention schemes (finance package financially supported by a dealer or manufacturer). Due to this practice still being in the minority in South Africa compared to the majority in established markets, the customer does not have to decide on the value between different finance packages as much and hence makes the decision faster. The highly regulated nature of the market then means that the customer merely shops on price between 5 or 6 market players and hence the difference against actual vehicle purchase.

2.3 Characteristics of Financial Services

Another important factor influencing vehicle sales is listed by Valentine (2004:59) as innovative financing options. The ability to cross-subsidise a financial package by the manufacturer or dealer makes the added value for the customer that much greater as they are receiving a consolidated subsidised offer to create the best value.

De Clecq (2002:40) says that a service is an activity or benefit that is essentially intangible. The production may or may not be linked to a physical product. In the case of financial services this still holds, but for the purposes of our study, asset based financial services are linked to a physical product.

Before beginning the discussion into the decision making process itself, it is worth bring up some points regarding the nature of financial services and how these are different to tangible goods. In this case it is the difference between vehicles and vehicle finance.

Harrison (2000:50) notes 6 distinct characteristics of financial services:

- **Intangibility** – this is the most important difference of vehicles against vehicle finance. Whilst vehicles are tangible goods that the customer can absorb through their senses, finance is intangible in that it is in effect a service provided.

- **Inseparability** – Services are produced and consumed simultaneously whereas products are produced and then consumed over a period of time. Due to this fact, the customer cannot evaluate the finished product before consumption and must therefore make assumptions about the promised product before consumption.

- **Heterogeneity** – Services by nature will be experienced differently by each customer. A vehicle may produce a certain level of performance and should do so for every customer with small variations. Financial services will be experienced differently by different customers – two customers paying the same vehicle instalment every month, may perceive very different product experiences. Legislation determines that the actual services are quite similar in nature, but the perception thereof is quite different.

- **Perishability** – With goods there is a more easily identifiable product cycle that involves the goods supplier ensuring sufficient capacity and inventory of products. In the service environment, there is less defined perishability and the service supplier must try to smooth periods of demand against service provision to not lower standards. Vehicle finance does have the advantages of being linked to a tangible asset and can more easily link the service perishability to the vehicle itself.

- **Fiduciary responsibility** – This implies that the financial institution has a responsibility to provide the products and services as set out by agreements. Due to the product being promised by the institution over time, the customer is placing their trust in the institution to deliver this. Tangible goods have upfront delivery and other than service support, there are fewer promises made by the goods provider.

- **Two-way information flows** – Financial institutions enjoy far more touch points than goods providers in that they are constantly communicating with customers. This is an advantage and one that vehicle financiers and manufacturers can use more effectively to combine their marketing efforts.

McGoldrick (1994:42) also notes these 6 characteristics but has an important cautionary. The ability to distinguish between different types of services is very difficult and different services or even financial services carry different characteristics. Based on this, these characteristics have higher weights for different types of services.

Another important point is raised by Harrison (2000:63) in that the purchase of financial services, whilst following roughly the same as goods from a process point of view have other characteristics. The most important of these is that it is simply not a once-off transaction and that the purchase and subsequently the buying process occurs within a context of a series of interactions over time that create an extended buying relationship. For this reason the interaction between the two parties is an important influencer.

In a service environment, expectations play a vital role and Zeithaml and Bitner (2000:50) define a customer zone of tolerance which the customer has regarding the service. This zone is different for different customers and different for different dimensions where a more important factor has a lower zone of tolerance. If a customer is very sensitive to their loan’s interest rate, then 25 basis points higher may be too high to accept.

The level of overall expectation and therefore the level of the zone of tolerance are lower for first time service delivery and the company has an easier opportunity to deliver to the customer. The problem that brand associations create is the customer perception of one company – i.e. that the associated vehicle financier is the same as the vehicle brand itself.

The customer may transfer their high expectation and small zone of tolerance for their vehicle over to their brand associated financier who will have to meet the same standards. This still leaves the services marketer with several controllable factors that they can use to influence the customer and their perceptions.

The marketer should attempt to make accurate promises to the consumer that reflects the reality of their service delivery to ensure that the customer's minimum service levels are met in reality instead of the converse. Promises should be tangiblised as much as possible to illustrate the service delivery and value thereof to the customer. These service and product promises must be backed up and permeated through the organisation by the marketer to get actual promise fulfilment to market.

Zeithaml and Bitner (2000:66) note that many financial services customers want a fair deal, information and protection. The marketer can use this type of research outcome to communicate how this will occur through their products for customers. A customer will feel more comfortable that their needs will be fulfilled and they are more likely to purchase.

One of the most important factors within the marketers control is perception. The marketer has a large effect on dissonance and outcome of evaluation by creating reasonable expectations during the initial phase of decision-making. These expectations must be set high but realistically. In this way, a marketer with a fundamentally better product has a huge advantage as they can promise more and have more in realistic performance from the product. The marketer as we discussed earlier, must also drive for high quality levels to ensure lower dissatisfaction during use.

2.4 Decision Making Process

The purchase decision making process as discussed in Chapter 1 takes the form of 5 phases; problem recognition, information search, evaluation of alternatives, outlet selection and purchase and post-purchase dissonance. We will focus on these 5 steps for the purpose of this study.

The 5 step purchase decision making process does not happen in isolation and is part of an overall model as defined by Hawkins (2000:27) and depicted below in Figure 1. The overall model, whilst not the focus of this research is worth mentioning as it touches on factors that influence consumer purchases.

Experience and Acquisitions are important elements as they will affect future purchases as customers build up patterns of purchasing and a level of satisfaction towards their purchases. The other major factor is that of self-concept and lifestyle; how does the customer perceive themselves and their lifestyle and how will this affect what they purchase. Their self-concept and lifestyle perception is driven by internal and external factors, many of which were mentioned in Chapter 1 and depicted in Figure 2.

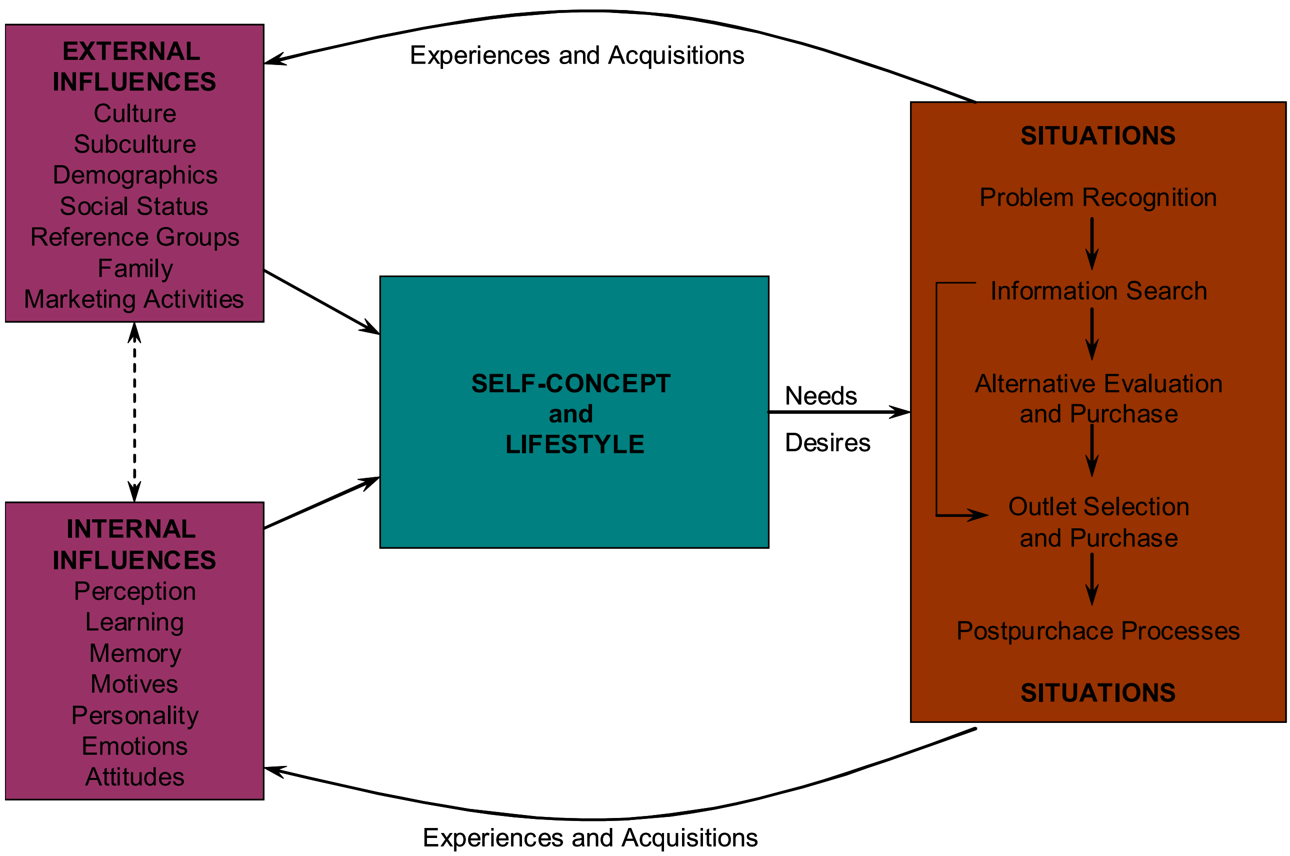


Figure 2: Overall Model of Consumer Behaviour. Hawkins (2000:27).

2.4.1 Purchase Involvement

From the marketer's perspective, the chain of events starts with the problem recognition as listed in Chapter 1. Due to our topics' nature as a high involvement event – several things are evident in this regard. According to Hawkins (1998: 499), a high involvement purchase, will mean more evaluation, more complex decision rules and many alternatives, but also more dissonance and more complex evaluation in regard to the purchase.

This high product involvement usually means a higher degree of brand loyalty and it is usually characterised by lower purchase decision involvement, although this correlation will be higher in brand loyalty cases.

This situation is actually advantageous to the marketer, who has the opportunity to control the process more effectively due to higher customer involvement. Involvement can also be split into a purchase and product involvement (Hawkins 1998:498). Purchase involvement means that there is a high involvement in the actual purchase and phases and actions that accompany this. High Product involvement means that the customer has high involvement with a product and will be aware of product developments due to their high involvement.

Take a customer that is interested in vehicles and motoring in general, this customer will have high product involvement. This customer may or may not be brand loyal to a particular brand. Due to the customer's interest in vehicles in general, they are product involved and will probably have high purchase involvement as well. However, were this person, for example a very BMW Brand loyal individual, they would have significantly less purchase involvement as their speed through the decision making process would increase due to the lack of selection involved due to their brand loyalty. This phenomenon is depicted in Figure 3 below.

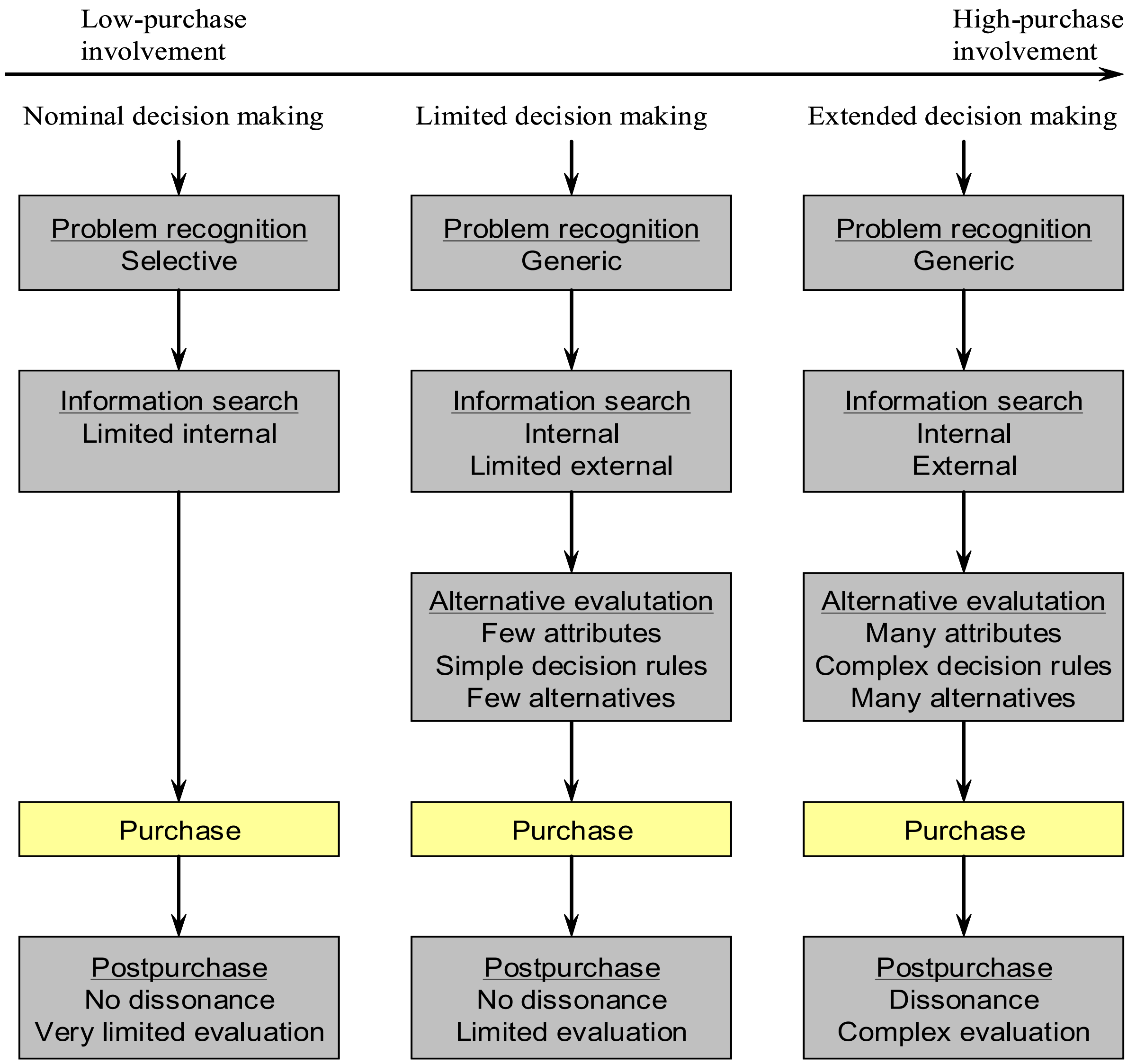


Figure 3: Involvement and types of decision making. Hawkins (2000:499).

Valentine (2004:2) states that loyalty is often emotive and for this reason, manufacturers must have strong emotional and intangible associations between the brand and the customer; on an individual and company-wide level. The strength of a particular brand and the customer's perceptions to that brand play a vital role in getting the brand into the customers mind before purchasing. The chain reaction from one person means that if the actual product can support the marketer's claims and adequately fulfil the customer's needs, the chances of brand loyalty are higher and the chances of less future purchase involvement and subsequently less chances for other marketers to influence your customer. The converse of this is that obviously that brand loyalty works in reverse and it costs the marketer far more to win over already brand loyal customers from another brand.

Anurit, Newman and Chansarkar (2000), note that because most luxury car owners have purchased a vehicle before, they have more established attitudes towards their previous purchases. This supports the points that are raised within this study with regards to segmenting brands in purchasing decisions. This type of customer has attitudes towards brand that may have been established during previous purchases.

If the final customer state concerned with a motor vehicle purchase is of high importance, the chances of extended search are very high. The customer will place high emphasis on this process to ensure that they limit their dissonance and have a strong purchase. The time-frames involved in vehicle ownership also ensure that the search timeframes will be longer as the importance grows with longer consumption.

2.4.2 Problem Recognition

Hawkins (1998: 502) defines problem recognition as the result of a discrepancy between a desired state and an actual state that is sufficient to arouse and activate the decision process. This discrepancy can be caused by a number of factors, whether psychological, emotional or rational. The actual state and the desired state are perceptions in the customer's mind and not concrete situations.

Vehicle finance can be seen in a number of ways in relation to the problem recognition. The vehicle purchase goes hand in hand with the finance purchase and for this reason it will be investigated how these two elements interact. The two problems can almost be viewed independently with a vehicle problem recognition and then finance problem recognition. The finance is often viewed as the path to the resolution of the vehicle problem.

Valentine (2004:39) identifies two prior steps to problem recognition; existence of need and the identification of realisation of need. In this study motor vehicle and finance purchases are almost exclusively repurchases due to the nature of our sample group. The existence of the need has always existed due to the nature of the lack of public transport in South Africa. The need will also have been identified and realised during the initial purchase.

The desire to resolve the problem is characterised by the magnitude of the discrepancy in state and the relative importance of the problem. In South Africa, there is increasing importance being placed on consumer brands and associating with a particular image. This is evident among the emerging black market in South Africa that increasingly makes up a larger and larger segment of the purchasing population.

Therefore the relative importance of the vehicle driven in South Africa is relatively high and has a status attached to it. Roberts (1998:111) notes that globalisation will cause consumers in all but the poorest countries of the world to become more sophisticated and discerning as they select from a wider array of local, regional, national and international buying options.

In the case of finance, its relative importance is amongst the main focus of the study. The importance placed on finance by consumers of different age and experience will ultimately help marketers in the vehicle industry position their finance offerings appropriately for a more segmented target market. It is also important to note that the relative importance of finance and vehicle purchases is related. A first time vehicle buyer and financier is faced with masses of choices and options and the relative importance of getting a vehicle and reasonable finance package are of great importance; whereas a more experienced vehicle buyer and financer, is undertaking an effective repeat-purchase due to the nature of the experience level.

Consumers also experience problem recognition in different ways; namely actively and inactively (Hawkins 1998:504). An active problem is one that the customer has and is aware of; this could be lack of space in current vehicle, or unreliability of current vehicle. An inactive problem is one that the customer needs to be made aware of or does realise within their current situation. A certain customer may feel that their current vehicle is reliable; but when the vehicle breaks down 2 or 3 times, they become aware of the increased need fulfilment that a new product could offer.

Inactive problems associated with finance are usually associated with a customer that is content with their current repayment plan, even though it does not maximise their current situation. A tax liability as a result of a poorly structured finance deal would result in active problem recognition occurring from previously inactive state.

The marketer has leverage to create problem awareness, but this is usually costly as in the motor industry. This takes expensive advertising or time consuming product trial. It is however imperative that the marketer is able to stimulate problem awareness in consumers to be able to stimulate the product life cycle renewal process.

From a finance perspective, this is more difficult. The financier wants longer customer life cycles as they generate more profit and deal structures that make more money and that inevitably keep the customer in the vehicle for a longer space of time. From this perspective, it is advantageous for a vehicle manufacturer and finance partner to work together to maximise the problem awareness creation for their mutual customers as well as stimulating suitable life-cycle timeframes.

The marketer can however, never be fully in control of the problem recognition phase and the un-marketed customer still has many factors that influence the perception of state. Emotions, motives, reference group and social status are just a few that can influence the perception of state for the consumer. Financial status is one factor that can appear to be an unmarketable factor, but in the vehicle industry this is a point for debate.

Many financial institutions are attempting to stimulate problem recognition to marketable factors. The customer may feel that the desired state exceeds their actual state with respect to their vehicle and although they are willing to buy, there desired state seems unattainable due to financial constraints. A financial institution may of their own accord stimulate purchase by communicating the value in different repayment structures that can allow a customer to purchase more car for less monthly repayment; thereby the obstacle is removed from the customers mind.

Finance in this aspect, is a more difficult prospect for the marketer to sell compared to other aspects. Finance is traditionally a grudge purchase. No customer enjoys being charged and the highly regulated environment under which financial institutions operates, makes it hard for true differentiation.

It is crucial for marketers to understand their product and customers in order to market effectively to them. In this way, it will be easier for the marketer to address problems when they arise or exist and respond accurately and appropriately. This study will attempt to gain more insight into why consumers act differently to finance within the vehicle purchase process and how the marketer can therefore better direct their efforts to certain groups of customers at different times and in different channels.

The practice of actively promoting problem recognition among customers comes in either elevating the importance of the product, or trying to affect the perception of existing or desired state (Hawkins 1998:511). Within the vehicle purchase environment, the marketer can stress the importance through issues of space comfort, performance and safety and elevate their relative importance depending on what they are trying to achieve.

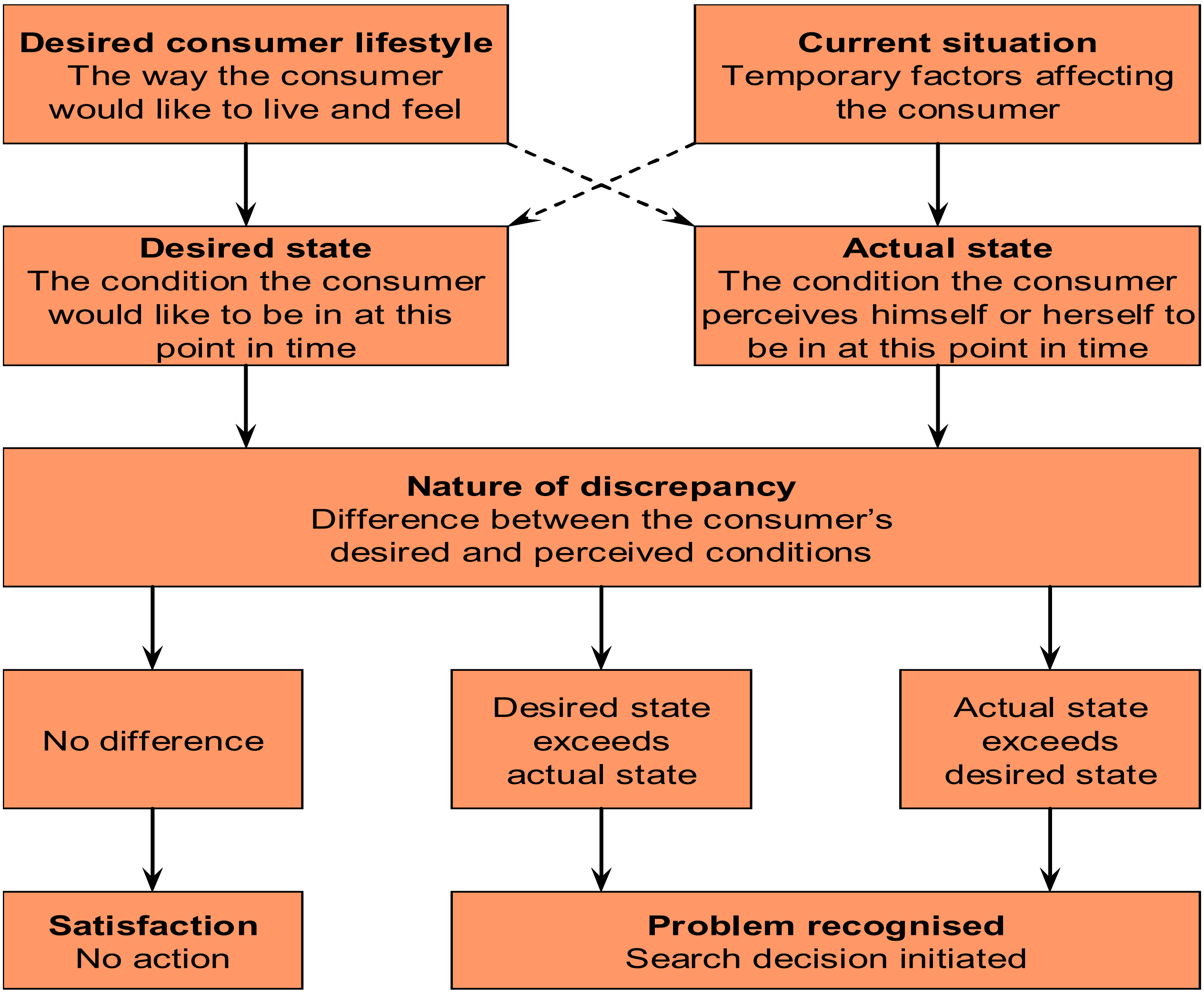


Figure 4: The Process of Problem Recognition. Hawkins (2000:503).

The most effective way for the industry under scrutiny is trying to actively address the perceptions of state. The desired state is the easiest to influence and a marketer with a strong and desirable product, will ensure that this is placed at the top of mind of their customers. In the same way, marketers can try to convince the customer that their actual state is worse than they believe or perceive and then showcase a taste of the desired state, or the state the product can offer. This process is depicted above in Figure 4.

All of these elements rely on communication. The marketer under problem recognition needs to ensure that they communicate with the right customers at the right time, and for the vehicle financier, the quandary is that it is most often vehicle purchase that is identified as the problem. The finance element is really a sub-problem that comes down to affordability and experience and customer education. This study will try to identify, not only the emphasis required for finance under this phase, but the different customer needs and problems that finance can solve in this phase.

2.4.3 Information Search

The next phase in the decision making process is that of information search. Once a customer has decided that there is a problem in accordance with the parameters already discussed, the customer will undertake to get information to solve the problem or at least come up with viable solutions.

Swart (2001:11) notes that customers are becoming increasingly well informed and that they will look for new alternatives via this information if they feel their needs can be better fulfilled. This highlights the importance of information to the marketer and how this can affect the overall decision. Swart expands to say that for financial institutions, this means focus on front and back office operations to ensure that the overall treatment and information provision to the customer is considered and well executed.

There are two types of searches which the customer can undertake; internal and external searches (Hawkins 1998:522). An internal search is a search involving the recall of long term memory. A customer will automatically attempt to solve the problem with the minimum effort required. Internal search may be used to solve part of the problem, and the customer will attempt to get as far into the process with their own knowledge as possible.

Harrison (2000:58) states that the search process is more difficult for financial services than for goods. As there are only promises and no performance characteristics for financial services, the customer will typically try to use more internal experience and referrals from trusted sources. As the customer moves through a series of virtually identical options, they are more likely to rely on these experiences and this encourages brand loyalty towards a trusted provider. This theory supports our notion that there is a difference in the importance of financial decisions for difference age and experience categories.

An important point regarding information in financial services is raised by Harrison (2000:63). She states that the provision and access of information to the customer is not only important during the buying phase but over the consumption and lifecycle of the service performed. Due to this the marketer has a greater challenge to maintain and reinforce the relationship and promises made during the buying phase.

The main reason for information search is for the customer to get information to make a decision regarding the purchase. For this reason the customer will attempt to get information about the evaluative criteria as well as the performance on each criteria and possible total solutions. Harrison (2000:51) notes that this is more challenging in the financial services sector and that customers will typically use tangible qualities of the service to evaluate it.

The consumer first has to dissect what information to obtain. This is where branding comes in. The consumer has already decided that a problem exists and wants to look at a new purchase. They now need to decide what information to obtain. In an example on motor vehicles, they will need to obtain information on various brands and models. The consumer now needs to decide which brands and models to investigate further in an external search, once they have performed an internal decision.

Gunter (1998:55) states that research points to different information searches for different age categories of customers. He notes that in various examples, older customers do not typically compare as many attributes as younger ones and therefore limit their searches to less information and rely more heavily on experience and referral information from peers and trusted personal sources. This research will try to gauge this phenomenon referenced by Gunter in the context of finance in the South African market.

All of this comes after the problem recognition phase and emphasises the importance of awareness and pre-emptive actions for the marketer as at this point it is almost too late to start marketing to the customer. The purchaser will now divide all brands of which they are aware, into conceptual sets. In a simplified example, the customer may be considering BMW, Mercedes, Audi, Volvo, Toyota, Subaru and Chrysler. The consumer now has to decide on what information to obtain and this is done by dividing these brands into sets.

Hawkins (1998:525) states that different sets a customer considers have a huge bearing on the purchase decision. For this reason, each brand is divided into a different set based on customer attitudes. Therefore the first job of the marketer is to at least make sure that they are in increased number of customer awareness sets as it is almost impossible to sell without this. The customer will then divide this awareness set into smaller sets from which more focused information can be obtained.

The next point in information search is that of cost against benefit of the search. Buyers will not engage in a search that they believe costs them more than the reward or outcome (Hawkins 1998: 533). This cost does not have to be monetary in the same way that the outcome will also not merely be a financial one. The intangible cost vs. benefit is much larger in some cases and this is especially true of many vehicle purchases.

Another major factor is that of value. Within the motor vehicle industry the customer is faced with many choices and alternatives, about which they must determine real value to fulfil their needs and relate this back to a financial value or price. This makes the search more difficult and longer due to the choice and its complexity.

In a study by Anurit, Newman and Chansrakar (2000:15), they identified the 9 most important objective factors and 6 most important subjective factors of luxury car buyers. The objective factors were; reliability, quality, durability, safety, security, performance, efficiency, technology and handling. The subjective factors were; value, style, comfort, prestige, status and visual impact.

From these factors we can see that the customer still has many variables to choose between. Even the objective factors still mean that the customer has to search out the information to gauge the reality from product trial. On the subjective side, the issues of branding and customer perceptions come into play and all of these factors extend the process due to their complexity.

In the same study by Anurit, Newman and Chansrakar (2000), UK and Thailand customer perceptions were tested. Both market customers conceded that in a Mercedes/BMW choice, the BMW was an objectively better choice in terms of measurable factors. In the UK, this reality, and the fact that the vehicle is considered an equal to Mercedes from a status point of view means that it outsells Mercedes in this market. In Thailand however, the intangible factors sway heavily towards Mercedes with higher associations to status and prestige and this accounts for their higher sales in this particular market.

Most studies suggest that customers purchase in a similar way and that they are influenced by the same factors, but merely that the factors, type and weighting of the influences varies dramatically between markets, as seen from the UK/Thailand example. This study also points to small emerging markets where the target market for luxury car companies is small vs. large established economies. The author notes that the global brands point to Mercedes as the obvious front-runner due to higher status, with BMW taking over as the economy grows large enough and the target base builds and becomes more discerning and demanding in terms of objective purchase factors.

Product characteristics have already been discussed as playing a role in the customers search patterns, but the consumer also has characteristics that make them search in different ways. The emotions, learning and the cost perception of a customer, makes each one purchase in a different way and this extends to them searching in a different way as well. Hawkins (1998:537) references 4 types of consumer search “costs” that are applicable to our case.

- Social cost
- Financial cost
- Time cost
- Effort cost

Social cost is a peer acceptance of purchase. This is not applicable to a toothpaste purchase for example, but has a big impact in an image conscious society like South Africa, when it comes to vehicle purchase and choice. This could be one of the reasons for BMW and Mercedes very high market share in South Africa, compared with global markets as there is a clear social penalty for not “keeping up with the Jones” and this may make the premium purchases of these brands more socially “safe”. Once again the relative importance of this factor to the consumer will extend their time of search as well as extend the way they search and should mean more opinion interaction.

Financial cost has been touched on earlier when discussing customer value perception. A big opportunity within this customer perception point is for the financier. The financier can attempt to communicate the relative financial implication of a purchase throughout the process so that the customer does not worry about getting down the line and having a financial situation that is not close to ideal in relation to their purchase. This is also a way of communicating the value of purchase to the customer and putting this in a more manageable format of payment per month.

Time cost and effort cost are correlated and the consumer, however eager to make the right decision, will always attempt to reduce time during the process. For this reason, the marketer must ensure that processes are set up to create a good flow through the process for an active lead. This will ensure that the information section does not inhibit the chances of sale or the waste the customer’s time.

For an extended search the marketer must first note whether they are in terms of the evoked set. If they are in the evoked set, they must push the customer to choose the brand in preference to another. This means actively marketing to the target market on attributes most important to them. BMW and Mercedes constantly drive to have more brand value in terms of driving pleasure, status, heritage etc. and this is evidence of this type of strategy. Multi-attribute brands are also more difficult to compare and copy and this is why they are so desirable to the marketer.

If the marketer finds their brand outside of the evoked set, they need to employ an acceptance strategy (Hawkins 1998:540). This strategy is designed to attract the attention of the customers to which the brand falls into the inert set. This strategy must incentivise customers to try the product in the hope of at least getting them into the evoked set and hopefully to purchase. The marketer can also undertake long term advertising to stimulate the awareness of the brand in the market and move the brand into the inert from inept set and from the inert set to the evoked set over time.

Zeithaml and Bitner (2000:32) note that during the information search for services, customers are far more likely to place a high weight on personal sources and seek information in this way due to the high perceived risk associated with their intangible purchase. This holds great opportunities for a marketer treating current customer's well and branding correctly as their chances of strong referrals will increase.

2.4.3.1 Conceptual Sets and Phase Movement

The best set for the marketer is that of an evoked set, this is a set to which the customer has placed emphasis and bias and wants to investigate further. The next is an Inert set, which means that the customer has no negative feelings towards these brands, but will not pursue further information.

An inept set is one which contains brand that the consumer will actively avoid or dislikes. Harrison (2000:59) states that due to less information being available for financial services, the evoked set is likely to be smaller than with goods and it is thus more difficult for the marketer to force their way into this set. An illustration of these concepts in set out below in Figure 5.

Let us take brands to illustrate our example further. Let us assume that BMW, Mercedes and Audi fall into the evoked set in this example. Toyota and Subaru are in the inert set and Volvo and Chrysler in the inept set. This customer is still likely to accept input on the inert set, but will now actively pursue information on the evoked set.

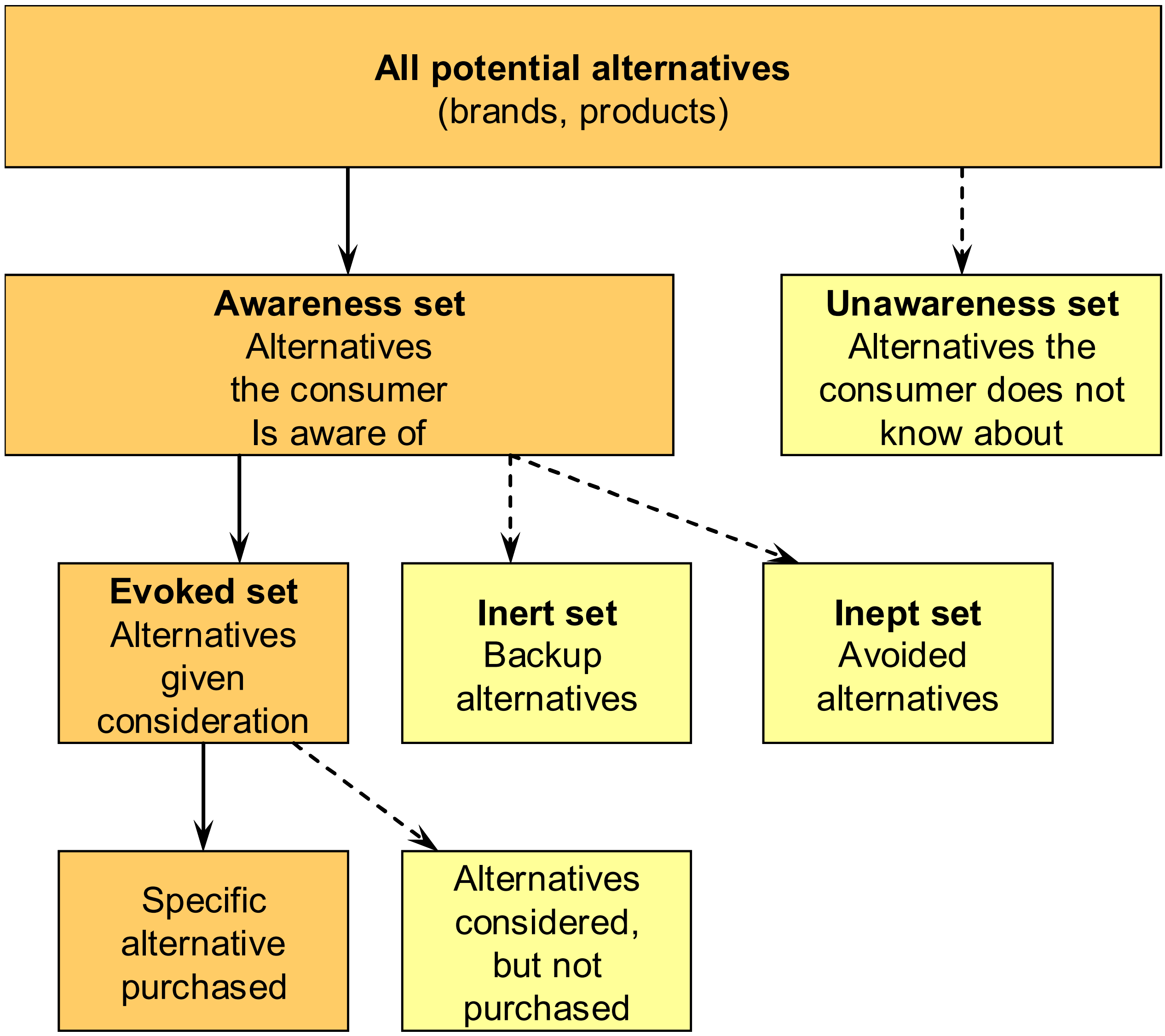


Figure 5: Categories of Decision Alternatives. Hawkins (2000:526).

This practice of focusing and eliminating will continue throughout the process and the customer may often move in and out of the decision making process phases to constantly re-perform activities as their search gets narrower. Take the above example that started with a problem state being recognised. The consumer has now moved to the information stage and has formalised an evoked set on which they will obtain more information.

The customer will now obtain this information and will likely make either a model or brand decision. Would they merely compare the BMW 3 series, the Audi A4 and the Mercedes C-Class, or would they decide on brand and then select a model from within that brand?

The answer will depend largely on brand loyalty and brand association as well as other factors that the marketer has attempted to sway. If we assume that in our example, the customer obtains information and makes a comparison and selection based on their information, they may actually now fall back in the process. If they for example select BMW as their preferred brand, they would now need to classify BMW's various products into the sets of which we spoke earlier. They may now narrow their search to a "BMW" evoked set of the 3 Series and X3 Off-Road range.

The process may now continue and this may involve increased client contact that includes test drives, finance quotes; all while the customer, is essentially moving into the 3rd phase of the decision making process. This process may reoccur, when the consumer decides that they prefer the 3 series range over the X3 range. The customer must now reclassify an evoked set on new parameters, price, diesel vs. petrol, financial situation etc. The customer may now come up with an evoked set that comprises the 320d and 320i models.

To take this further, even if this particular customer decides on the 320d model, they will still need to decide on what specifications to choose and this will again mean comparing certain alternatives. Perhaps they will choose between the sports and exclusive packages, between different colours, trims and financial packages. This entire process happens at varying speed for varying customers, but highlights the complexities of a modern day motor vehicle purchase and the constant decision making phase hopping that occurs.

McGoldrick et al (1994:76) summarises the above phenomenon well by stating that no decision made up until purchase is final. He also notes that in the case of services, that the greater the degree of subjectivity in the interpretation of phenomena (factor of intangibility), the greater the potential for more idiosyncratic processing throughout the process.

Whilst this analogy provides the chosen marketer with many ways to have contact and influence the customer, it also highlights the problem of phase movement. The final phase of dissonance is a phase that comes in response to a decision and yet just a purchase. This means that based on our extended example, this customer would have had a dissonance phase several times during the process. The marketer needs to be very aware of this phenomenon as a large enough dissonance can mean a regression to previous stages, where a customer may begin to even question their brand choice.

The marketer is faced with the problem of customer control. The complex vehicle purchase means that the customer will not decide in a very short space of time. This means that the consumer will still be influenced by various factors during these multiple phases and the chances for changes of direction are high. The marketer needs to understand this and accelerate the process at critical times to ensure that the effects of influences and dissonance are minimised.

Finance also plays an important role in the overall, complex decision making involved in a vehicle purchase. Finance should never be an obstacle to the motor vehicle sale – meaning it should never hinder the process for a credit-worthy customer. By optimising this phase the marketer should be trying to compliment the process with finance instead of stalling or delaying it as speed can decrease dissonance.

Going back to the information search itself, the consumer has many sources available to consult for information when making a purchase for a vehicle. We have discussed memory and how the customer will rely on this whenever possible. Personal sources are also a source of information on high involvement purchases. What colleagues, family and friends drive and where they finance will have an effect on how the consumer purchases.

The marketer can only create awareness and loyalty to influence the two sources of customer information, but the independent marketing sources and experiential sources are all heavily influenced by the marketer. The marketer must create awareness through these sources and where there is strong faith in the product; experiential marketing should be used at every opportunity. This highlights how marketing is not just advertising for awareness, and actually includes creating public opinion through independent evaluation and experience based customer decision making that has a greater chance of success.

From a finance perspective this practice will be different for different customers. The benefits of an extended vehicle finance search may be lower for an established buyer. They may have the perception that they know what it will cost them and what finance they qualify for and hence will not waste their time for no massive benefit. Newer customers may shop around and try to get the best deal as they will not have as much experience. This will be a key outcome of the study to find out the amount of effort customers are willing to take with regards to finance from an age and experience point of view.

The time of the search is also a factor of certain other tangible characteristics. Market characteristics, such as range of alternatives, advertising, availability and range of price may increase the search. For this reason, the motor vehicle industry will automatically increase the search time due to the highly marketed and competitive environment. Information overload may occur and in fact shorten the search, but this will be rare.

2.4.4 Evaluative criteria and Selection

The next phase of the decision making process is that of evaluation criteria and selection. The customer has recognised the problem and obtained information that they feel will help them in their ability to make a selection. The customer will have obtained information on various features and benefits at this stage and must now evaluate these in order to make a decision. This represents a "black-box" scenario as the each customer will choose differently.

The consumer will look at certain evaluative criteria, importance of these criteria and these will be within the alternatives considered. These will then be evaluated by the consumer in conjunction with various internal decision rules and ultimately an alternative will be selected.

Evaluative criteria for motor vehicles and finance are relatively simple to identify as they are mainly product attributes such as price, ease of use, specifications and perceived value. Intangibles that we have already spoken about such as status, lifestyle enhancement and others also come into play here. Brand identity and loyalty also play a role and this gives the marketer of the loyal brand a head start due to an established feeling about the brand. The criteria and their ranking will vary from customer to customer.

A study by Lee and Marlowe (2003) from the United States, found that among the most important criteria in the financial services sector that customers consider, are; service charges, reputation and loan competitiveness. The factor of reputation shows why the association of vehicle financiers to major brands is very important from a customer point of view. In another study identified within the same research, it was found that another set of customers found convenience their biggest factor when selecting financial services – this is perhaps the reason that dealer level financial arrangements are so popular.

It is clear from the information above that the factors considered for a service purchase are quite different from those of tangible products. Zeithaml and Bitner (2000) state that the process itself in consumer decision making for services is exactly the same, but with very different influences and considerations for consumers. They identify the fact that goods and their characteristics are easier to evaluate than services. They highlight 3 purchase types; goods, hybrids and pure services. Vehicles and finance obviously fall at opposite ends of the scale, but for most consumers, they purchase a hybrid type product when purchasing and financing a vehicle, representing a combination of goods and services.

This model highlights that whilst goods are easier to evaluate due to the ability to search for accurate and objective performance data, hybrid products require more experience to analyse. They then highlight the fact that services hold a credence characteristic that means that they are very difficult to evaluate, even after purchase and consumption. This could be true with a finance contract where everything runs smoothly and the contract is then settled as and when is necessary by the customer; the client may feel that it went exactly as they thought and they may be completely indifferent and take the view of finance as a necessary evil in their vehicle process.

When the customer moves to evaluation of alternatives, the evoked set is likely to be much smaller for services due to the complexity of the decision and its intangibility. The customer may even take the first acceptable alternative that can be affirmed by a credible source due to the complexity that makes services very difficult to distinguish between. For this reason, the role of the dealership's Finance and Insurance Manager is crucial as they can literally secure a customer to any institution they choose provided the customer doesn't have that institution held in their inept set. The financier should work closely and consistently with these people to ensure that they improve their share of referral business.

A major factor that determines how consumers evaluate alternatives is that of surrogate indicators. This is the association of one factor and extrapolating this to make decisions and evaluations on others. Price, for example, may be used to indicate quality and durability in the consumers mind, although two similarly priced vehicles may not have the same levels of quality and durability – a customer may still use this as an indication.

The customer, now having all their information and evaluative criteria will enforce decision rules to make their decision. Once again, the decision rules are more subjective and subconscious than hard, fast or scientific. This is where the marketer must go on the importance of criterion to ensure high chance of success. These rules can be on price or affordability, or they could be enforced elimination rules. A consumer may decide not to consider any vehicle that accelerates from 0-100km/h in more than 9 seconds or not to consider any finance package that offers an interest rate of more than 10%. There are various ways of deciding and the customer will weigh up all the chosen attributes to come to a purchase conclusion. As discussed earlier, the consumer may undertake this process several times over and the criterion and how they are evaluated may change accordingly.

Choo and Makhtarian (2004) state that customers have so much information that it is almost impossible for them to make simple decisions on objective variables. They contend that, especially in higher value purchases that customers choose on attitudes due to their increased experience and ability to distinguish through more experience. They are less swayed by objective factors, given the proximity of these among competing brands being increasingly close.

This research points to customers choosing a particular vehicle segment due to their attitudes such as luxury, sports car, sports utility or large car. This compounds other theory that customers choose brands first. The theory suggests that customers segment themselves and then select according to vehicles they perceive to fulfil their needs in accordance with their segment choice. For this reason the marketer should ensure that their vehicles are appropriately segmented and communicated as such to get into awareness and evoked sets for customers who purchase in this way.

The marketer in this phase must try to determine what type of rules the consumer will use and provide information and direct attention in the right direction. In high involvement and value purchases, the consumer is likely to be structured and methodical about their decisions and the subjective rules they apply. For example, the consumer above who decided on an acceleration and interest rate exclusion rule may apply a compensatory rule for a vehicle that accelerates in 9.2 seconds from 0-100km/h, financed at an interest rate of 10.25%, if they receive a cash discount on their purchase over another alternative.

It must be reinforced that the customer evaluation and selection process is still mainly a mystery to the marketer, even though they have great insight into the attributes, factors and perceptions of consumers. Hepting and Maciag (2002) feel that the marketer can only know the factors that the customer will consider. They see the future as interactive decision making on key attributes on which customers decide. These types of systems could help customers make better and more consistent choices.

2.4.4.1 Value and Branding

Valentine (2004:10) notes that customers buy value and not the product itself or its benefits. The customer is actually purchasing the value they receive from the purchase. It is therefore important that the specific benefits of the product be translated into value for the customer and finance plays a vital role in this regard.

Value needs to be internally evaluated by the customer and Valentine (2004:26) identifies several conceptual equations that customers would use in this regard. These are:

- Value = (End result benefit – Price). The customer will try to quantify the benefits of the purchase by weighing them against price to get back to an idea of value for the purchase. Customers have internal thresholds in this regard and it is the marketer's responsibility to highlight the positive benefits to increase the perceived value.
- Value = (Desired benefit/Relative cost). This is in essence the same principle as above but stated in a way that takes into account relative cost as opposed to price. An important factor here is the ability of financial services to reduce the relative cost or even perceived price. Financial packages that can translate the price or relative cost into monthly payments, give the customer a better position from which to perceive the value of the purchase by downplaying the price or cost components.

Valentine (2004:27) also makes mention that the value side of the equations can also be multifaceted. She noted that value can be expected, proposed or actually delivered. The customer will use previous experience to make a judgement on whether expected or proposed value actually equalled the value delivered. The marketer will not stimulate loyalty if there is an over promise and under deliver scenario. The customer will use these previous experiences to determine whether there actually is a problem state and how they are able to satisfy this state.

Choo and Mokhtarian (2004) note that little research exists on customer purchase factors of an intangible nature. They point out that the most researched and conclusive factor is price, that is that the higher the price the lower the chance of purchase with all other factors being equal. All other factors being equal seldom exists and the customer must find a way to distinguish their choices.

Mapping of a brand against others on important criteria is one such way, where the marketer identifies how to position from this practice. The important thing to consider in all of these techniques is that they should cater for as many customers as possible as there will always be different exceptions. The key to these techniques and positioning is that they can enhance the marketer's ability to communicate effectively with the customer.

Malt (2003) emphasises the importance of branding during an analysis of why companies would want to get into the Formula One Racing Series and what branding value this holds. She notes recent theory by other authors that puts branding and brands forward as the most important and valuable asset that any company has. This research notes that the main aim of brand spend and a strong brand is to engender high brand loyalty to stronger positive associations gained from the brand by the customer.

This spend will ultimately pay for itself through higher sales. For this reason many top manufacturers have taken to motorsport and Formula One in particular to create a higher global awareness and presence for their brand in the market. This research highlights that in 2001, Formula One racing provided 53 Billion customer interactions that could be used for both awareness and marketing. The marketer, when faced when this type of global reach, finds it easier to justify the massive amounts of money involved.

The added advantage that Formula One provides over normal motorsport for a brand is the multi-dimensional branding opportunity. In this environment, glamour, exclusivity and lifestyle are all brand associations listed by Malt and the marketer has an array of choices in positioning the brand in this environment.

Hawkins (1998:558) references a 1996 study by Ang, Gron and Weinberg that shows that consumers do not typically notice the small differences between brands or changes in their attributes. A typical consumer will use sensory discrimination to determine individual preference. This reinforces the fact that product trial is so crucial in this industry as it gives the consumer a good indication of what the product feels like. For these reasons, customers may also make poor purchase decisions. The marketer needs to ensure that their strong brand is able to justify higher levels of purchases at an appropriate price.

The main problem for finance is that without interaction with the service, the customer has very little way of knowing about the product and so the marketer must constantly address this issue to ensure ways to communicate value to the customer. Important factors that emerged from the research by Lee and Marlowe (2003:57) are; range of services and personal relationships. These present two different scenarios for vehicle financiers; that retail banks offer a far higher range of services than niche financiers and secondly that customers are more likely to refer brands with which they identify more strongly.

Few customers will identify as strongly with their financial institution than with a vehicle brand association financier due to the nature of the brands and their ability to differentiate. The niche financier also has a challenge to increase their range of services in order to compete with traditional banks; credit cards, homeloans, lifestyle asset finance are amongst some of the options to these players.

There are many associations that customers will make and many relate to country of manufacturer in the motor industry. If the brand can stand for a number of critical evaluative criteria, half of the marketers work has already been done. If a customer believes that Audi represents quality, durability, reliability, speed, status and good value, the customer may have already decided that this is the case when evaluating the actual product. This does not have to be represented by brand loyalty, but often is.

Country of origin is in fact more multi-faceted than it appears. Schweiger, Otter and Strebinger (2000) investigated country of origin and even country of production. They found that many customers, mainly older customers, are very concerned with not only the country of origin of a product, but with the country of production.

This places significant pressure on global companies that are increasingly looking for global production alternatives to decrease cost. A customer that has used the "German" BMW brand as a major purchase decision factor may not want to find out that their vehicle has been made in China or South Africa. For this reason, BMW has moved to a "made by BMW" strategy rather than a "made in Germany" strategy to still associate BMW with Germany for the advantages presented.

Brands often have strong country association and from this perspective, finance and joint ventures or captives have the unique feature of representing the brand to the consumer. BMW Financial Services should automatically represent the BMW brand to the customer on key attributes that they can relate to the finance purchase such as quality, professionalism, value and status. This means that they will hold a distinct advantage over a retail bank that does not hold the same emotive characteristics. A retail bank may however hold different evaluative advantages such as trust and relationship which a new brand to the customer may not.

Azoulay (2002) contends that brands have their own multi-faceted personalities that enable customers to identify with them on this level. For this reason the marketer should constantly try to involve the customer as much as possible to educate them regarding the brand and brand personality. The big issue here is that a customer will evaluate based not on objective reality, but on brand personality perception that comes out of motives, attitudes and self-concept. This makes perceived brand personalities very difficult for the marketer to capitalise on in this industry on an individual basis.

An important point from this research is the opinion of the author that marketers are able to change and improve their brand personalities over time to exhibit more factors closer to those sought by customers. For this reason, the marketer should attempt to understand what values consumers hold towards their brand and identify key personality traits that are strongly identified with by consumers.

A brand also has a strong value element. Valentine (2004:11) states that branding offers the best way to differentiate the value offered. The value expectations from a tangible viewpoint should be combined with those of an intangible nature to ascertain the true value perception that customers have towards brands.

This reinforces the above points that brand differentiation provides a unique selling point in terms of value for the customer. This is reinforced by Harrison (2000:177) who states that other than quality indication, price is primarily used to communicate value to the customer.

Valentine (2004:80) also notes that together with the aging consumer from the baby boomers generation as a demographic factor, financing deals that enable consumers to buy up into the luxury segment are the two most important factors driving luxury vehicle purchases. The financing perspective highlights the importance to manufacturers of using financial packages rather than new models to conquer new target groups outside of traditional luxury buyers.

Harrison (2000:119) states brand advantages that are passed on the client from a financial services perspective. Here are the most important for this discussion:

- Product Identification
- Shorthand cue of product features and benefits
- Distinguishes products of similar type
- Reduces buyer search time
- Increases buyer assurance
- Assists in quality evaluation
- Offers psychological reward
- Brand Association

2.4.5 Outlet Selection and Purchase

We now come to the next phase in the decision making process of buyers, outlet selection and the purchase itself. It is important to consider how customers purchase, relative to their outlet and brand. One must understand how the decision is made. For all types of purchases, the brand and retail outlet must be selected and it is vital to understand what order this occurs in to gain more insight into the consumer process.

For vehicle purchases, it is safe to say that most new car buyers will choose brand before retail outlet and not the other way around. The outlet will be another decision of the multi-decision process that the customer undertakes as described earlier. For second hand vehicle buyers, this order does not always hold. Whilst many customers will still choose the brand and then an outlet, there are many multi-make used car dealerships which create a mall-type environment for the customer.

The Investment Cars brand in South Africa has a variety of premium second hand cars to choose from and many customers will choose this type of outlet and then make a further decision on brand of purchase from there on. For brand first choices, the exclusivity and brand image management is crucial to maintain the brand perception of the customer within the retail environment.

The image of the outlet itself must strongly correspond and exhibit the manufacturer brand values so that the customer’s brand perception is not distorted. This goes right down to the control of retail outlet advertising associated with the brand and the facility layout and structure. Many manufacturers choose to own a high percentage of their vehicle retail outlets to maintain control over their brand, although this is not always considered best practice and will vary from brand to brand and market to market.

Traditional theory states that when all else is equal, a customer will choose their closest retail outlet (Hawkins 1998:586). For high involvement and high value purchases, this is not always the case and many customers will be prepared to travel further to receive better service or a better deal. This comes back to the customer cost against benefit analysis that a customer will undertake when making a purchasing decision.

In this way the time and effort cost must still be within reason and this still creates an invisible radius for each customer relative to their perception of the cost. Financial and social cost will also play a role, as the customer will not incur significant cost to travel further than they need to satisfy their purchasing needs. From a social cost perspective, many customers will want to purchase from the “fashionable” outlet. This may mean that a large metropolitan vehicle dealership with high profile clientele will gain more acceptance and interest from customers wanting to be associated in this way.

In store purchase influencing is very common in the traditional retail environment, but does not occur as much in the vehicle industry due to the majority of brand first choice customers as described earlier. There is however a massive opportunity that exists for financiers in this regard, as often, the customer may have chosen their brand and even vehicle and not addressed the finance issue as yet.

Most retail vehicle outlets now have dedicated Finance and Insurance Managers on the floor, in order to arrange finance for these types of customers so as not to loose a sale in this way. There is a huge financial gain for a retail outlet in this area of their business as it is a global industry practice to pay a referral commission for finance customers that are referred direct from the retail outlet. A customer can therefore be swayed during vehicle purchase to the financier of their choice or unless otherwise referred by the outlet. The study will attempt to understand if this common industry practice is appropriate for all types of customers, or whether there should be prior collaborative effort between the manufacturer, financier and retailer.

Valentine (2004:75) notes how BMW pioneered the finance and insurance manager concept at dealership level, “The strategy with creating a more demographic database was to ensure cross-selling, retention, prospecting, upgrades, awareness of merchandising and sales take place. At this time, BMW Finance and insurance consultants were integrated into the dealerships to ensure awareness and cross-selling of value-added services.”

Outlet atmosphere is also important in this industry. The ability for customers to feel at home in their environment as well as feeling comfortable that the environment supports their brand perceptions is crucial. The environment should be controlled to a certain degree to ensure that the customer gets the right perceptions.

A good example of this is to take a BMW and MINI outlet environment. Whilst they are often within the same premises, the BMW environment is very understated and exclusive, with a high quality feel that goes through to music and colours. The MINI brand obviously represents very different values and will have a much more modern, colourful feel that its brand cousin. This is done very intentionally due to the different target market buying these particular vehicles and is essential that this is a consistent customer message.

The outcomes of retail branding are consistency and brand perception. If a customer goes to a BMW and Mercedes dealership on the same day, it will be very easy for them to compare personal contact, layout and overall perception of the facilities. This can be a deal-breaker from a purchase decision point of view and for this reason brand consistency is essential as already mentioned.

A major factor that cannot always be fully controlled in the retail environment is sales personnel contact. The motor vehicle industry in South Africa runs a continuous survey that looks at customer satisfaction from personal interaction. This is done with the express purpose of ensuring that even the employees representing the brand are reaching the levels needed to support it.

On signature of the finance contract or cash payment, the dealership is able to hand over the vehicle. This delivery process is crucial in technologically advanced vehicles such as new BMW or rival products. The complicated controls and multitude of buttons and features need to be adequately explained to the customer. In a similar way, the Finance and Insurance manager at a retail outlet will explain how the finance contract works, point out the interest rate of the payment plan and the dates that first payments commence.

This can be information overload for the customer, the dealer processes in this regard need to be sound to ensure that this process can occur both quickly and effectively, whilst still reinforcing the brand image at all times. A delighted customer in this scenario is the aim, as the next phase for the customer is that of evaluating their purchase decision.

2.4.6. Post Purchase Evaluation and Dissonance

The last phase in the customer decision making process is that of purchase evaluation. This includes post-purchase dissonance, satisfaction levels and customer commitment. Once the customer has purchased a product, they will naturally evaluate the product performance during actual usage against the perceived performance across many factors including intangible ones (Hawkins 1998:609). This process is depicted in Figure 6 below.

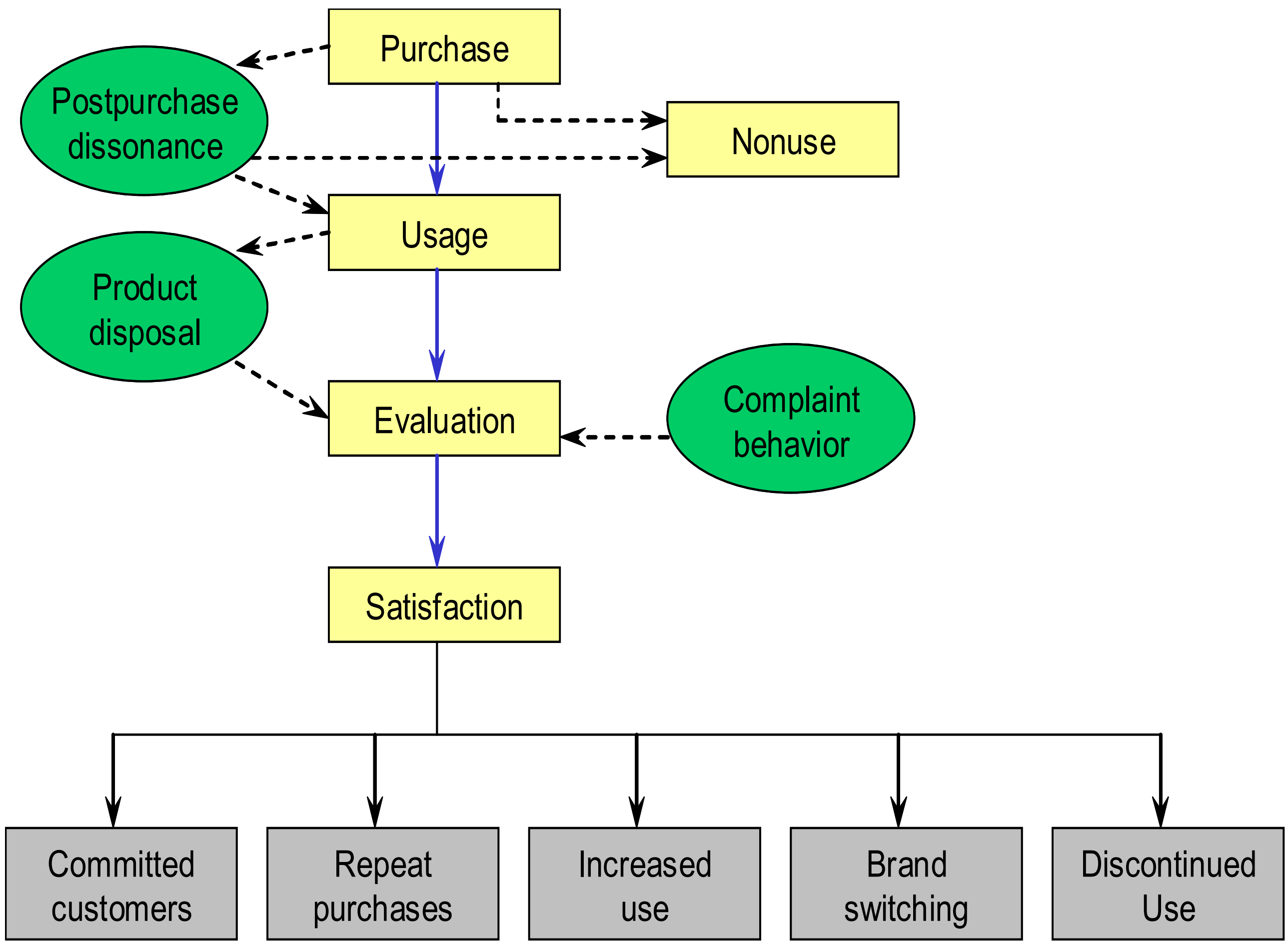


Figure 6: Post-Purchase Consumer Behaviour. Hawkins (2000:608).

In the case of a motor vehicle purchase and finance the chances of non-use are very low due to the nature of the product. This means that through usage, there will be post-purchase dissonance. The outcome of this will either lead to satisfaction or disposal or complaint behaviour. The outcomes of this phase will lead to either committed or non-committed customers.

Harrison (2000:61) notes that post purchase evaluation for financial services holds some problems. The first of these is the nature of the purchase; many finance purchases are actually grudge purchases and for this reason there is a certain level of unavoidable dissonance that will occur. The next is the consumption that occurs over time; this causes dissonance to be experienced over time and not in a smaller period immediately after purchase. The customer may pay more attention to small details such as telephone operators to try to satisfy their evaluation of the purchase in a shorter space of time.

McGoldrick and Greenland (1994:63) point to several ways that financial services customers will attempt to reduce dissonance.

- View their decisions as inevitable or beyond their control
- Apportion blame away from themselves when the consumption does not meet their expectations - perceptual elimination usually blocking out advice before services
- Perceptual selection and lowering perceived significance. Customer effectively convincing themselves that they have made a wise purchase

Dissonance is a function of several factors. The degree of commitment and irreversibility of the purchase can cause dissonance to increase. In our case this will be very high due to the depreciating nature of vehicle values and contractual obligations of finance contracts. The importance of the decision is also a factor for the customer and in many cases a vehicle purchase is very important due to the high value and is longer usage period. The difficulty between alternatives as well as the tendency of the person to experience anxiety is also a factor here. For a vehicle purchase this is likely to be higher due the competitive nature of the industry and again the chances for dissonance will increase.

The marketer needs to control this period with some form of customer contact where the customer is reassured of their decision and their purchase. The marketer should ensure that their long term advertising is aimed at maximising brand reinforcement to not only attract new customers, but also reassure recent purchasers.

Harrison (2000:63) states that this phase of the purchase is the most important for financial services as it will constantly occur as the service is consumed. The institution must constantly attempt to strengthen the relationship and product experience through communication and stronger service delivery.

The actual evaluation process involves the customer evaluating the actual performance of the product against expectations. Once again, this is a perception in terms of actual performance delivered. The only time that the customer will be satisfied with their purchase is when performance is above their expectation, or if it meets their expectations and exceeds their minimum desired performance (Hawkins 1998:618).

Performance itself has many forms. Instrumental performance relates to the actual functioning of the vehicle or finance package – whether the car is as fast or as economical is reality as claimed or do debit orders for payment run on the correct dates for the correct amounts. This is relatively easy to determine in terms of product performance as this is relatively black and white. Symbolic performance on the other hand is more attributed to the image enhancement of the product.

In the case of high value luxury automobiles, the brand, brand image and subsequent transfer of status association means far higher symbolic performance than non-premium brand purchases. For the same reason, the captive financier, once again enjoys the strong brand association in this case. The last type of performance is that of affective performance – this is the emotional response that owning and using the product provides. For our study, premium, high value vehicles engineered for speed and comfort are specifically geared to perform affectively for the customer and enhance their self-concept symbolically, whilst creating positive performance affectively.

In the case of this factor, finance has perhaps its weakest performance characteristic. Contractual payment does not create a very positive scenario for the customer, who pays every month for their vehicle out of their hard-earned money. Whilst their may be emotional responses out of a sense of duty or a sense of responsibility this is not an easy sell. The marketer can attempt various association techniques towards the vehicle and this particular affective pleasure as well as selling financial freedom to minimise performance perception risks in this area.

2.4.6.1 Brand Loyalty and Relationship Marketing

The issues of customer satisfaction and brand loyalty are closely linked. Starting with dissatisfied customers; they are very likely to purchase another brand or product if it is worth the effort and if their dissatisfaction is high enough. Satisfied customers are far more likely to purchase again and become repeat customers. Repeat purchase does not mean brand loyalty, but the customer, especially in the long-term usage patterns associated with both the finance and vehicle industries, is likely to become more comfortable with the current product and the time and effort to switch would become increasingly high.

Financiers build barriers to change into their business models, such as fees in lieu of notice to settle before contract end that can be waived if repeat finance is taken out. In this way the customer will not incur a cost if they undertake a repeat purchase. Zeithaml and Bitner (2000:40) reflect the same view when they note that brand loyalty is more difficult in services due to their intangibility and ability to understand performance. For this reason, fees and increased time and switching effort should be built in to discourage movement from existing customers.

For financiers, a longer relationship with a customer also means more information, especially on payment history. This can help to constantly decrease bad debt, by retaining good, existing customers. Whilst the idea of walking away from an existing customer does not make sense in theory, a financier that stands to loose money from a future transaction, should make an informed statistically sound decision about which customers to retain.

Zeithaml and Bitner (2000:158) concur with this view to services. They maintain that the customer is not always right and that customers from the wrong segment are not always profitable in the long-term. This is also true for difficult customers that sap resources for no reward and should not be part of the company’s long-term plan. These are never easy calls to make and the financier should not get drawn into the all things to all people game, especially the niche players who should stick to their target groups to ensure success.

Hawkins (1998:626) defines brand loyalty as a biased and non-random, behavioural response that is expressed over time by a decision making unit or person, with respect to one or more alternative brand out of a set of brands, and that is a function of a psychological decision making process. From this, it is evident that brand loyalty is a deliberate and conscious decision made by the customer. They still have a set of brands, but choose to be loyal to a single one.

These customers are less likely to seek out information on competitors and will be less receptive to advertising of competitors and more susceptible to the marketing of the chosen brand. They are also more likely to be brand ambassadors and try to get others to try the brand they are loyal to. The key for marketers in the industries under scrutiny in this study is to target loyalty from opinion leaders and high standing people within key reference groups, due to the nature of the purchases undertaken.

Quick and Burton (2000) note that marketers must be wary of assumptions regarding customer satisfaction and repurchase in high involvement/long term purchases. They found no correlation between early high satisfaction and long-term repurchase. This shows that time is a major factor of brand loyalty and affects both problem recognition likelihood as well as the likelihood of repurchase.

Whilst early satisfaction with purchases are shown to have low bearing on a purchase 5 years later, Quick and Burton do note that the high early satisfaction scores did have a high word-of-mouth and recommendation quality. So in terms of brand loyalty, the customer will be brand loyal for a period of time during high satisfaction and will even recommend others to purchase, but may not repurchase in the coming years due to influences and changing situation.

The major advantage for a company stimulating repeat purchase and brand loyal customers is increased profits. This comes through cost per customer as the higher cost associated with acquisition is no longer applicable. From a finance perspective there is also significantly less risk involved due to customer payment history being known to the company. Zeithalm and Bitner (2000) suggest that services exhibit the same long term profitability as goods, if not more so due to the increased effort of switching with services.

The other benefits associated with the brand loyalty that increases a firm's probability are increased sales and sales volumes as well as the lower cost as explained above. Referrals and incremental business as a result are also major benefits in this regard for both the manufacturer and financier.

In summary, the marketer has several areas to focus in the decision making environment in an attempt to influence the customer. This can take place to try to stimulate both problem recognition and awareness. The information segment is also crucial to provide customers with the right information at the right time. Once the product is purchased, the marketer must attempt to reduce dissonance, reinforce the purchase decision and lastly move towards inducing repeat purchase and finally developing brand loyalty once repeat purchase is in place.

All of the above lead to relationship marketing. This type of marketing moves towards higher and more mutually beneficial customer contacts. The customer needs to have constant reinforcement and value positioned to them regarding their current purchase and future offerings. The up-selling of addition value-add products, such as a credit card from the financier or driver training courses for vehicle owners are two examples or brand reinforcement and product additions that alter the dimensions of the current offering and provide more brand reinforcement opportunities that the marketer can exploit.

Valentine (2004:32) goes further than this and states that the ultimate relationship marketing state is the enhancement of the relationship to the customer. In this state, due to the profit already recovered, the company provides real benefits such as reduced costs and special offers. This will pay the company over time through increased loyalty and word-of-mouth advertising for the company.

Ryan (2003:1) states that the long term value of a customer is a “way of thinking and doing business.” This approach forces companies to think about the long-term implications of actions, tactics and strategy and make better choices with regards to interaction with customers.

Relationship marketing can lead to an increased ability to stimulate new credit usage or goods purchase, says Harrison (2000:92). Through building trust with the customer, a financial institution can create higher levels of retention that when strong enough can hold almost guaranteed retention. These customers can then be jointly marketed to by a manufacturer and financier in a bid for joint product retention as one is already probable.

Harrison (2000:228) makes the point that a company must have a strategy that fits with relationship marketing. She states that a company must have a definite defensive facet to its strategy when embarking on relationship marketing. If this is the case, the company will accept the long-term nature of the benefits, the high emphasis on service and contact to the customer as well as the overall quality and benefits of the offering. The orientation of the strategy is sustainability and this strategy will not show instant sales boost or record short-term profits but has even greater long-term rewards if executed correctly.

Another facet to consider is why there is a need for the relationship. Harrison (2000:230) states that there are several mutually beneficial reasons to engage in a relationship for the customer and company in financial services. The two most important for this study are the changing environment and the changing competitive landscape. There are advantages for both parties, but in terms of the environment, the customer wants a dependable partner that can help them adapt to changing times, help them fathom new legislation or opportunities against the backdrop of trust between both parties. The competitive reason has more benefits for the company, although the customer may want to ensure that they are with a company that ensures them a competitive offering.

McGoldrick et al (1994:78) reinforces the above theory but claims that there are two main reasons for customer loyalty in services. The "better the devil you know" scenario and the "no decision" scenario. Both of these reasons point to cost of change even if non-financial as high to prohibitive in a service context and automatically point to higher levels of loyalty.

Zeithaml and Bitner (2000:139) define relationship marketing as a means to brand loyalty and ultimately higher profits. They highlight benefits of higher value and choice by not being charged an acquisition premium; social benefits and bragging rights of a strong service provider and special service as an existing customer. The organisation derives the same benefits for services as goods.

De Clercq (2002:11) defined relationship marketing as the process of transforming new customers into regular advocates of the company. This objective can only be achieved with constant management.

Ryan (2003:11) reinforces the value of relationship management by noting that it is estimated to cost five times more to acquire a new customer than to retain an existing one. Through driving up the focus on customer relationship management and cutting the cost of acquisition a company can successfully leverage two important economic drivers in its business. Ryan (2003:61) highlights the fact that understanding what a customer wants is of crucial importance in financial services. Having a customer relationship is one thing but managing the relationship is another. This should be done to cater for every step in the decision making process from problem creation to dissonance reduction – this must be managed and influenced accordingly.

Loyalty programmes and other special benefits afforded only to current customers create a stronger association with the brand and increases the chances of loyalty in the future. BMW currently operates an Owner's Circle that is only available to current BMW drivers. This section interacts with BMW Financial Services to create a complete brand environment where the company presents a holistic view of the customer and exclusivity through website facilities and exclusive magazine subscriptions at no cost. The BMW magazine, available to these customers only, provides news on vehicle technology, future models and other issues pertinent to BMW drivers, such as sports and art.

The final point on relationship marketing is that it is a platform through which the marketer can address and even pre-empt customer stages in the purchase decision-making process. Through relationship marketing, the marketer can better control their existing customers to ensure that they remain loyal and better control their next decision-making process by prompting and managing this for the customer. The marketer can then develop separate strategies to win new customers, without trying to do the same thing for both types of customers and risking customer confusion in both cases and ending up with a falling retention and conquest scenario.

Chapter 3 – Research Methodology

3.1. Research Sample Design

Before further discussing the design, structure and scope of the questionnaire, the first issue is that of sampling. Zikmund (2003:369) states that a researcher uses a sample made up of parts of the population in order to draw conclusions regarding the population. A universe is a complete group sharing a common set of characteristics. In our case this would be all vehicle customers in South Africa. A population is a subgroup of the universe and in this case would be all vehicle customers in South Africa in LSM Groups 9-10 requiring finance for their vehicle purchase – our target population.

According to Zikmund (2003:369) a census is an investigation of all of the individual population elements. As this is impossible in the case of this research study, we will use a sample frame; which is a subset of the population and represents our working population.

The study will be conducted using a sample frame of vehicle finance customers from BMW Financial Services. This includes customers from sub-brands MINI Financial Services and Alphera Financial Services. Alphera Financial Services encompasses all non-BMW or MINI finance and is conducted on both a direct and indirect (dealer) basis. Customers who have purchased a vehicle and financed this vehicle in the past 12 months will be used.

BMW Financial Services finances roughly 4% of all new passenger vehicles sold (slightly higher for used vehicles) and roughly 12% of all new passenger vehicles in the luxury segment, the focus of the study. Given the above statistics and if one excludes cash buyers, a sample frame from the above company represents somewhere between 10-15% of our target population. On this basis, a sample drawn from this company, whilst skewed towards BMW vehicle buyers will represent a significant portion of the market and as such is considered large enough for the purposes of this study to obtain viable results.

The reason that this sample frame will be used rather than a more comprehensive list that may include cash buyers is that financing and its place and magnitude in the process is a major focus of the research. All of the customers included have had a need for financing.

3.2. Sampling Technique

The issue now, is to deicide on a sampling technique, and whilst there are various techniques that are available, there is an element of bias associated with each type and these will impact on the validity of the results. The most important choice is deciding whether to use probability or non-probability sampling once the sample frame has been selected.

Zikmund (2003:379) has the following definition for probability and non-probability sampling:

- Probability Sampling – A sampling technique in which every member of the population has a known, non-zero probability of selection.
- Non-probability Sampling – A sampling technique in which units of the sample are selected on the basis of personal judgement or convenience.

From the above definitions it can be seen that non-probability sampling is open to more fundamental biases. On this basis, probability sampling is chosen for this study.

The sampling technique will be one on the basis of probability from the sample frame that will comprise people who have purchased vehicles and financed through BMW Financial Services within the last 12 months.

The technique that is used along with probability sampling is known as stratified sampling. Zikmund (2003:392) notes that stratified sampling assures the researcher of representation of all important groups in the sample. It is also considered to be the best method to make direct comparisons between the strata, which, in the form of age groups are an important part of this research study.

Therefore, stratified sampling will take place in order to ensure that there is a large enough group for each age category in order to draw meaningful comparisons. The strata will have respondents drawn from them on a random basis (simple random sampling) as stated above in order to reduce the bias of non-probability sampling.

The sample frame will be divided into age strata of 21-30, 31-40, 41-50 and 50-plus. Respondents will then be drawn from each stratum using n-th sampling. Valentine (2004:62) notes that Wesbank (South Africa's largest vehicle financier) has 38% of its client between 18 and 34 years of age, 31% between 35 and 49 and 16% between 50 and 64. BMW Financial Services' split is different due to the nature of its customer base and the more expensive vehicles financed but is close enough to still represent the total market, more accurately depicted by the Wesbank numbers above.

The research will not be geographically biased towards one area so as to be as representative of this South African segment of society, with rather the frame determining where the respondents originate from on a random basis. The study will rather inform of the local perspective and as discussed will be more concerned with the age profile.

3.3. Scaling and Questionnaire Design

As the sample is drawn, qualified and selected, it is necessary to distribute the research questionnaire. The questionnaire is based upon the research objectives, so as to measure what was set out in Chapter 1. Therefore the first issue to be determined/tested is that of the factors considered in the vehicle purchase process. These will be drawn from the literature and qualified during pre-testing of the questionnaire with Statkon at the University of Johannesburg.

The questionnaire is a web-based survey hosted by Statkon and the survey link will be sent to customers via e-mail so that they have access to the survey. One of the main aims of the study is to get geographically representative results and e-mail can accomplish this. Zikmund (2003:212) notes that posted mail has the advantages of lower cost and geographic representivity and this holds for this type of web-based e-mail survey as well. The sample frame will provide customer e-mail addresses. Lescher (1995: 151) notes that unsolicited e-mail can only create ill will for the research project and a brief but comprehensive cover letter (e-mail text) will attempt to provide context to the research and minimise this perception.

An important point for e-mail or web-based surveys raised by Zikmund (2003:220) is that these surveys must consider the practicalities of computers. The problems with different speeds meaning that files may be slow and frustrate the respondent or perhaps not even reach them must be considered when conducting the fieldwork. The web-survey is housed as text-only web-site to ensure that computer speed differentials are minimised although the layout and quality feel of the research is not inhibited.

There are several other methods available, but there are distinct disadvantages for the study in this regard. The nature of the questionnaire prohibits telephonic interviews. The questions, many of which carry numbered scales carried across questions, cannot be done with ease, telephonically. Mail is also not an option as the sample frame is not big enough to ensure that a low response rate could still generate enough responses to validate the study.

Other methods such as door-to-door are simply not feasible given the workforce for the collection of the data, and this is another reason why e-mail works better in this instance than telephone or any other method. By using e-mail, it means that the cost of conducting the survey on a countrywide basis is also not a factor and enables the research to be more geographically representative. One of the major concerns when conducting a study via electronic means is the issue of limited access to technology. This is not an issue in this case as one can deduce that the majority of customers on the sample frame will have access to an e-mail address. The SAARF identifies the LSM groups 7-10 as having access to a personal computer within the household.

One issue prevalent in any questionnaire is that of scaling. Zikmund (2003:296) defines a scale as a series of items progressively arranged of a value or magnitude that will allow quantification and by extrapolation, allow results from the research based on these parameters. Several different scaling techniques are discussed below along with what types of questions will be asked.

Respondents will be asked to rank the relative importance of each identified variable as set out in the questionnaire. From this we are able to reference the relative importance of finance as well as conduct the initial age profile and level of experience profile from which to compare the various groups across vehicle and finance purchases.

The second type of measurement that we use is that of an ordinal nature. Zikmund (2003:297) notes that this scale arranges objects according to their magnitude. This type of data is obtained when identifying the process that individuals undertake when going through the purchase process. The most important data is obtained via interval and ratio scales which provide platform for cross-tabulation. This data is for the measurement of the importance of factors in the purchase process.

In terms of attitudinal scales, there are several that are used. The Likert rating scale is used to determine attitudes to specific concepts or statements, this is to measure how strongly respondents tend to agree or disagree with a particular statement. These scales are used across vehicles and finance to be able to further compare the buying behaviour across these two areas. Category Scales are also used to determine attitudes towards distinct time categories concerned with buying process time frames. This is done across finance and vehicles in order to compare these two areas.

The layout of the questionnaire is one of ease. Each questionnaire sent out has a web-based code for tracking purposes. The approximate time frame to complete is given to the respondent upfront and this is based on the pre-testing of the questionnaire.

3.4. Data Collection and Analysis

Statkon collects the data from the web-based survey and the web survey allows us to ensure its validity for obtaining results for the objectives of the research. The data is then consolidated into a single format to ensure that analysis can be preformed more easily.

The sample frame, drawn into representative age strata comes to 6,208 customers in total. Every 2nd customer is then drawn in a probability sampling technique that produces 3,104 customers that the researcher distributes the survey to. The research questionnaire process resulted in 380 responses in total representing a relatively high response rate for this type of study of over 10% and this ensures that the study has enough responses in order to draw conclusions, even down to the age bracket levels. These responses have different age and experience frequencies that will be discussed below.

Total Working Population – 25,203

Total Qualified Stratified Sample Frame – 6,208

Total Randomly Selected Sample Frame – 3,104

Total Respondents – 380 *(Response Rate = 12.24%)*

The data analysis is again done in collaboration with the Statkon facility at the University of Johannesburg in order to ensure that the correct results are obtained and that there is no researcher bias in terms of determining favourable results from the research. These results are then critically evaluated and conclusions drawn from the analysis of the data against the objectives and hypothesis of the research. Cross Tabulations against age and buying experience are also drawn from the research results.

The results take the form of descriptive analysis described by Zikmund (2003:472) as the transformation of data in order to interpret and manipulate the information into meaningful results.

Chapter 4 – Research Findings

The findings will be analysed in 3 ways; frequency results to look at results for all respondents, a vehicle vs. vehicle finance purchase section and cross-tabulation results to look at frequency across age and levels of experience groups.

4.1 Frequency Results

The results are divided into 2 main sections, the first being the Profile of Respondents which contains demographic and finance specific results and the second being Vehicle vs. Vehicle Finance results.

4.1.1 Profile of Respondents

Question 1: What is your age?

- This is a crucial question as it will be one of the cross-tabulation questions. There was an acceptable age profile to work with.

Age Group	Frequency	Percent
21 - 30 years	65	17.1%
31 - 40 years	153	40.3%
41 - 50 years	98	25.8%
Over 50 years	62	16.3%
Missing	2	0.5%
Total	380	100.0%

Table 1: Frequency Results. Question 1.

- Whilst the overall market may contain a slightly younger customer profile, the premium segment which our customer sample primarily came from shows the largest grouping from 31 – 40 years followed by 41 – 50 years.

Question 2: How many vehicles have you purchased for personal usage in the following time periods?

- This question is crucial to determine the buying experience over a period of time to determine whether this affects the buying behaviour.

Number of Vehicles since 2000	Frequency	Percent
1 or 2	172	45.3%
3	95	25.0%
4 or More	112	29.5%
Missing	1	0.3%
Total	380	100.0%

Table 2: Frequency Results. Question 2.

- For cross-tabulation purposes, there are only 3 groups in this category. There is also a strong, even spread across all 3 categories.

Question 5: What was the price category of the vehicle for private usage you most recently purchased?

- This question was designed to analyse the customer profile of responses relative to how they represent the overall market and premium segments.

Price Category of Purchase	Frequency	Percent
Below R250,000	170	44.7%
Between R250,000 and R400,000	172	45.3%
Over R400,000	37	9.7%
Missing	1	0.3%
Total	380	100.0%

Table 3: Frequency Results. Question 5.

- We can conclude from the above table that there is fair representation from the overall market and significant representation from the premium segment.
- The 44.7% of respondents below R250,000 represent the overall market and portions of the small and medium premium segments.
- The 45.3% of respondents between R250,000 and R400,000 represent customers at the top end of the overall market and small premium segments as well as most customers in the medium premium segment.

4.1.2 Information Search for Finance

Question 8: On a scale of 1 to 5 where 1 is not important at all and 5 is very important; indicate the importance of each of the following sources when conducting a search for information on vehicle finance?

- This question looks at the different sources considered to be important by respondents when searching for information regarding vehicle finance. Fig. 7 below shows the means for each medium to indicate how important each one is.
- Means are reflected on the following scale; 1–Not-at-All Important, 2–Not Important, 3–Neither important or unimportant, 4–Important and 5–Very Important.

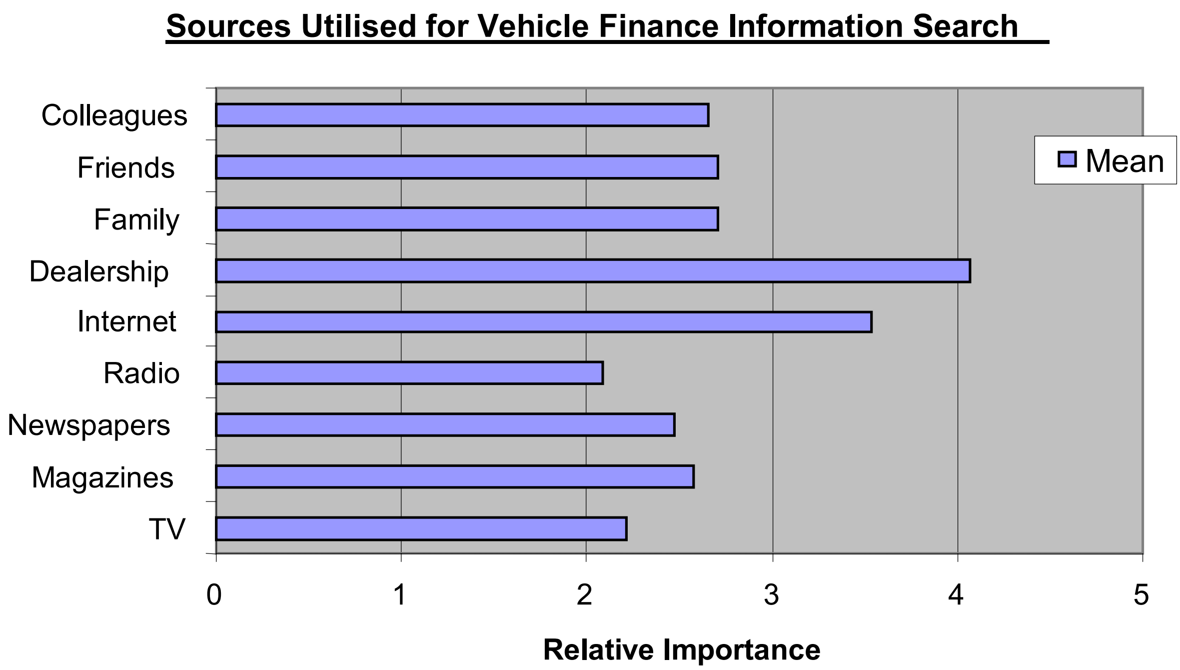


Figure 7: Frequency Results. Question 8.

- It is evident from the above chart, that the Vehicle Dealership is the most important source for vehicle finance information searches. The Internet is easily second in terms of importance.
- All other sources that include mass communication sources (Radio, Newspapers, Magazines and TV) and personal sources (Colleagues, Friends and Family) are all below average in their importance.

4.1.3 Factors used to evaluate Vehicle Finance options

Question 9: On a scale of 1 to 5 where 1 is not important at all and 5 is very important, indicate the importance of each of the following characteristics you consider when evaluating vehicle finance:

- On the same scales of importance used in question 8, question 9 attempts to analyse what customers consider important in their evaluation of finance products.
- Given that the finance evaluation happens more quickly than that of vehicles (discussed in 4.1.5), it is important that the marketer understands these factors.

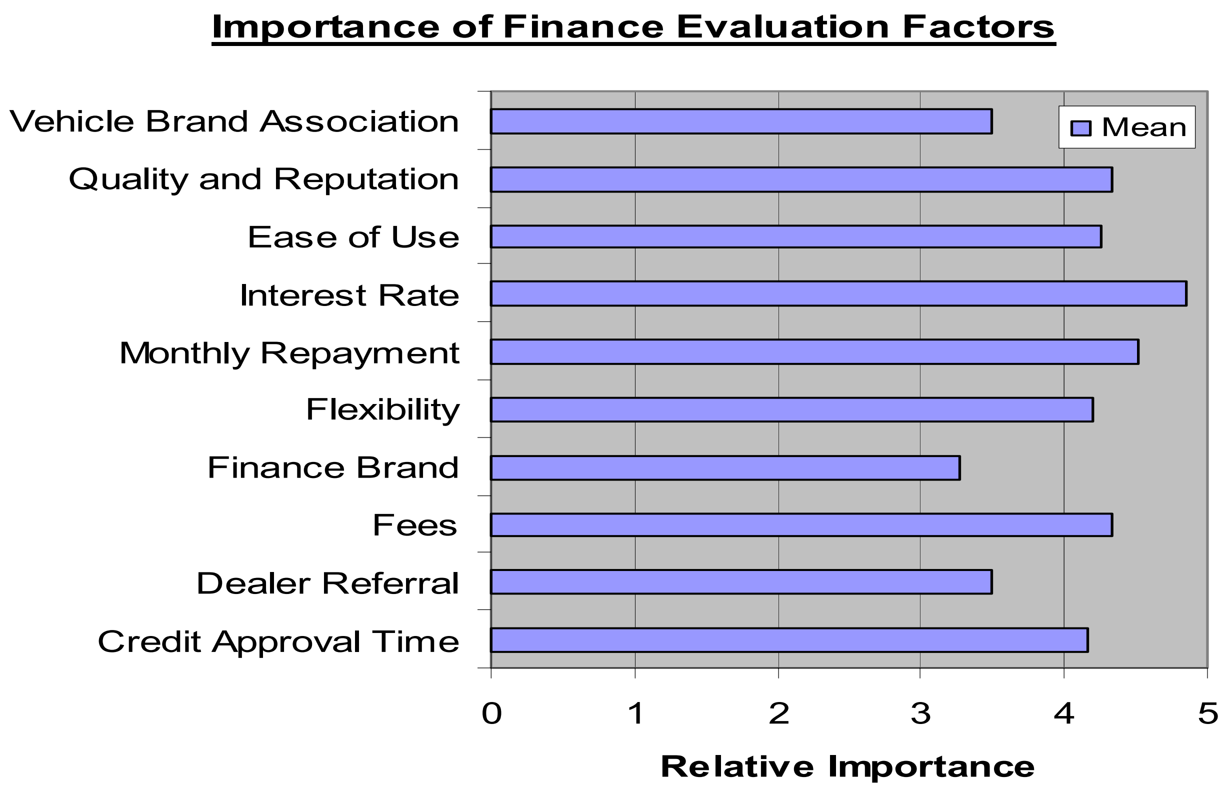


Figure 8: Frequency Results. Question 9.

- The above chart shows that all factors listed are considered as relatively important factors due their means of over 3.00 (neutral value), with interest rate and monthly repayment the most important.
- Quality and reputation, Ease of Use, Flexibility, Fees and Credit Approval Time all came out as between important and very important on average.

- An interesting point is that dealer referral came out amongst the lowest in terms of importance whereas in question 8, the dealer was seen as the most important source of information for vehicle finance.

4.1.4 Statement Questions for Finance

Question 10: Please state your opinion with regards to the following statements on a scale of 1 to 5 where 1 = strongly disagree and 5 is strongly agree. The numbers 2 to 4 form equal intervals in between 1 and 5.

- This question looks at different statements and whether the respondent agrees or disagrees within the following scale;
  - 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree. There are 3 statements which we will analyse in this section.

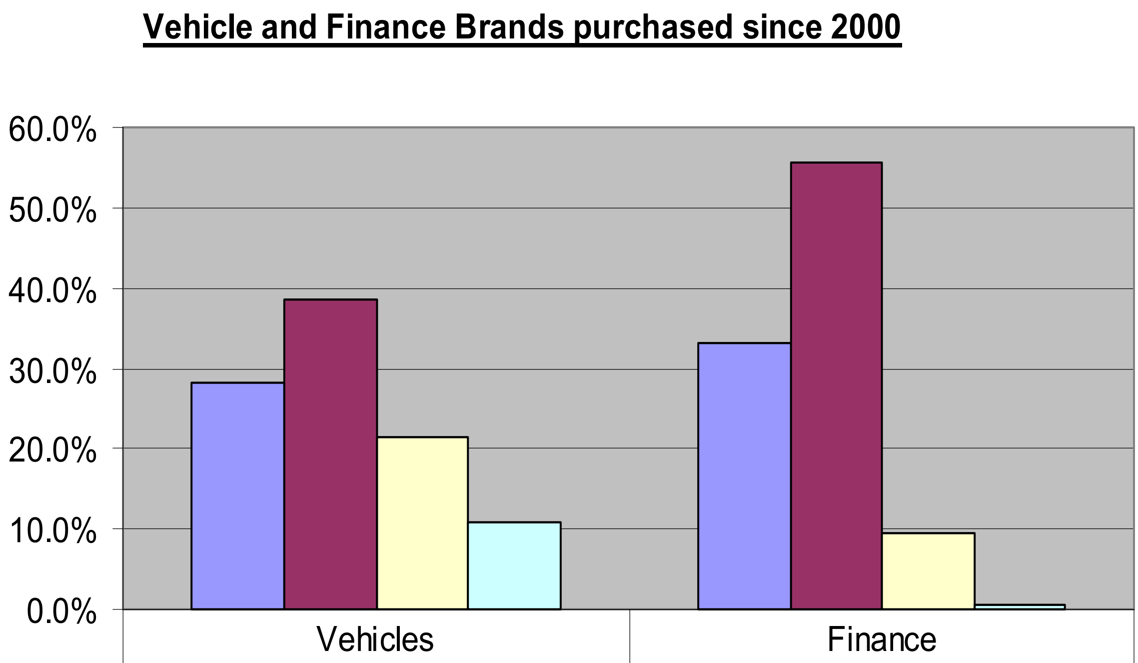
	Statement	Mean
1	It is the responsibility of the dealership where I purchase a vehicle to arrange finance if required	3.47
2	I prefer to have my finance pre-approved before purchasing a vehicle	3.83
3	I am more likely to purchase one vehicle over another if one has a preferential finance package linked to it	3.60

Table 4: Frequency Results. Question 10.

- The mean of 3.47 for Statement 1 in the table above shows that more respondents believe that the dealership should arrange finance than those who don't.
- The mean of 3.83 for Statement shows that a high amount of respondents believe that finance should be pre-approved.
- In most cases, pre-approval means direct contact between financial institution and customer, unlike statement 1 where the dealership deals with the institution.
- In statement 3, the question is effectively posed as to whether a financial offer can "sell" one vehicle over another. There is a case for this as the average score is closer to agree than neutral with a mean of 3.60

4.1.5 Vehicle vs. Vehicle Finance Frequency Results

Question 3: How many different vehicle brands (E.g. BMW, Audi) have you purchased since Jan 2000? And Question 4: How many different vehicle finance companies (E.g. Wesbank, BMW Finance) have you used since Jan 2000?



	Vehicles	Finance
1	28.2%	33.2%
2	38.4%	55.8%
3	21.6%	9.5%
More than 3	10.8%	0.5%

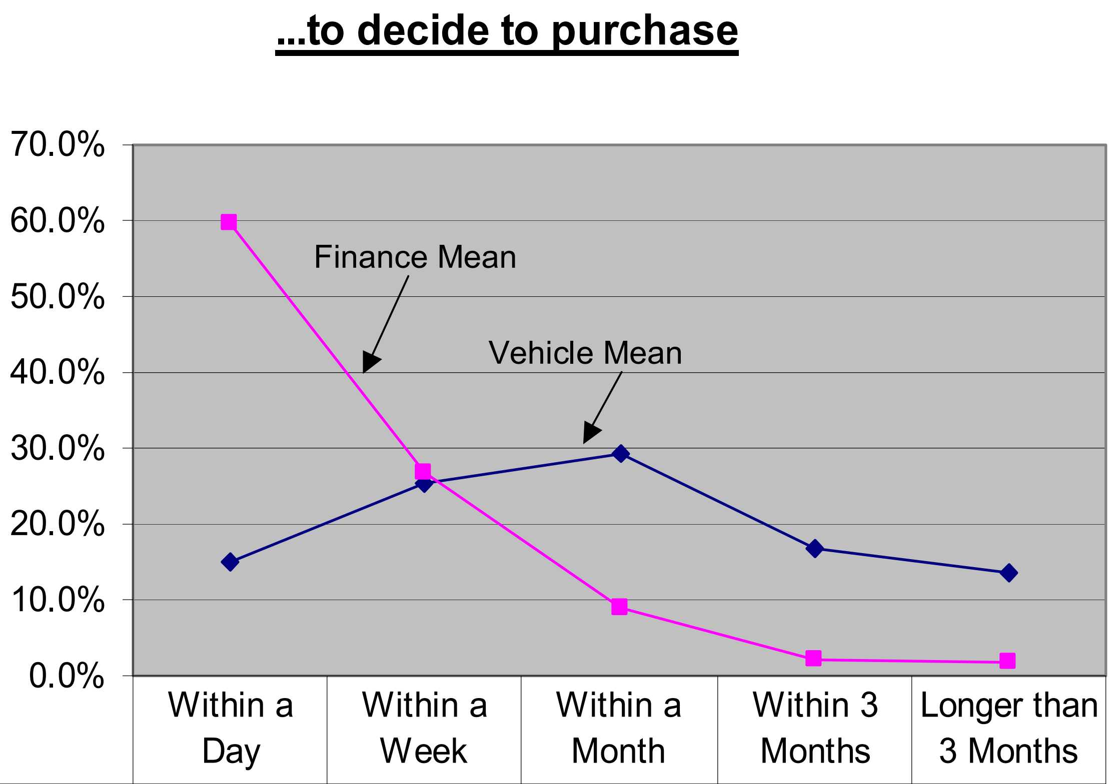
Figure 9: Frequency Results. Question 3.

- Fig 9. above shows that almost 90% of respondents have utilised only 1-2 finance companies since 2000, which is substantially less than the 56.6% who have only purchased 1-2 vehicle brands.
- This shows that people are purchasing a wider range of vehicle brands and less finance brands over time.

4.1.5.1 Time within Decision Making Process Phases

Question 6: Which one of the following best describes how long it took you…

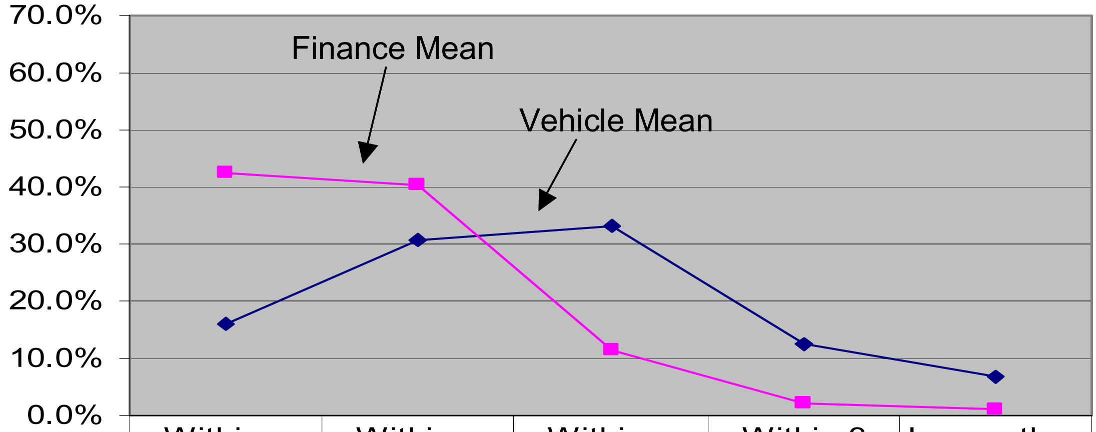
- This question involves analysing how long it takes to go through steps in the decision making process. These are analysing time to decision to buy, time to search for information and time to evaluate alternatives. These questions are asked regarding vehicles and vehicle finance.
- It is evident from the graph below that respondents make decisions about financing the vehicle and their need for this product far quicker than for vehicles, which can take over a month or even 3 months for some respondents.



	Within a Day	Within a Week	Within a Month	Within 3 Months	Longer than 3 Months
Vehicle	15.0%	25.5%	29.2%	16.8%	13.4%
Finance	59.5%	26.8%	8.9%	2.1%	1.8%

Figure 10: Frequency Results. Question 6.

...to search for information

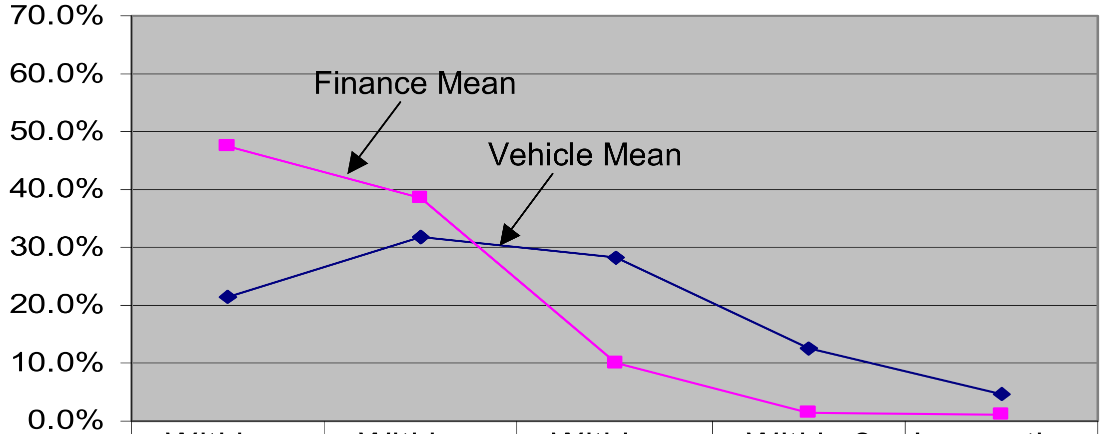


	Within a Day	Within a Week	Within a Month	Within 3 Months	Longer than 3 Months
Vehicle	16.1%	30.8%	33.2%	12.6%	6.8%
Finance	42.6%	40.5%	11.3%	2.1%	1.1%

Figure 11: Frequency Results. Question 6.

- It is evident that the respondents search for information on finance for a much shorter period of time as compared to information regarding the vehicle.
- Whilst the gap is not as wide as for the need recognition stage of this question, it is still a significant difference.

...to evaluate alternatives and make purchase



	Within a Day	Within a Week	Within a Month	Within 3 Months	Longer than 3 Months
Vehicle	21.6%	31.8%	28.2%	12.4%	4.5%
Finance	47.6%	38.4%	10.0%	1.3%	1.1%

Figure 12: Frequency Results. Question 6.

- When looking at the evaluation of alternatives, whilst the gap between vehicles and finance is the smallest of the 3 phases analysed in this question, it is still evident that the evaluation and purchase takes place in a much shorter space of time for finance.

- For Question 6 it is worth noting that all finance means for this section fell between a day and a week for each step as compared to between a week and a month for the vehicle. This means that the whole purchase decision process for finance takes considerably shorter for finance than it does for vehicles.

4.1.5.2 Information Search

Question 7/8: On a scale of 1 to 5 where 1 is not important at all and 5 is very important; indicate the importance of each of the following sources when conducting a search for information on vehicles (Q7) and vehicle finance (Q8)?

- A combination of these 2 questions will allow us to analyse the difference between information search medium importance for vehicles against vehicle finance.

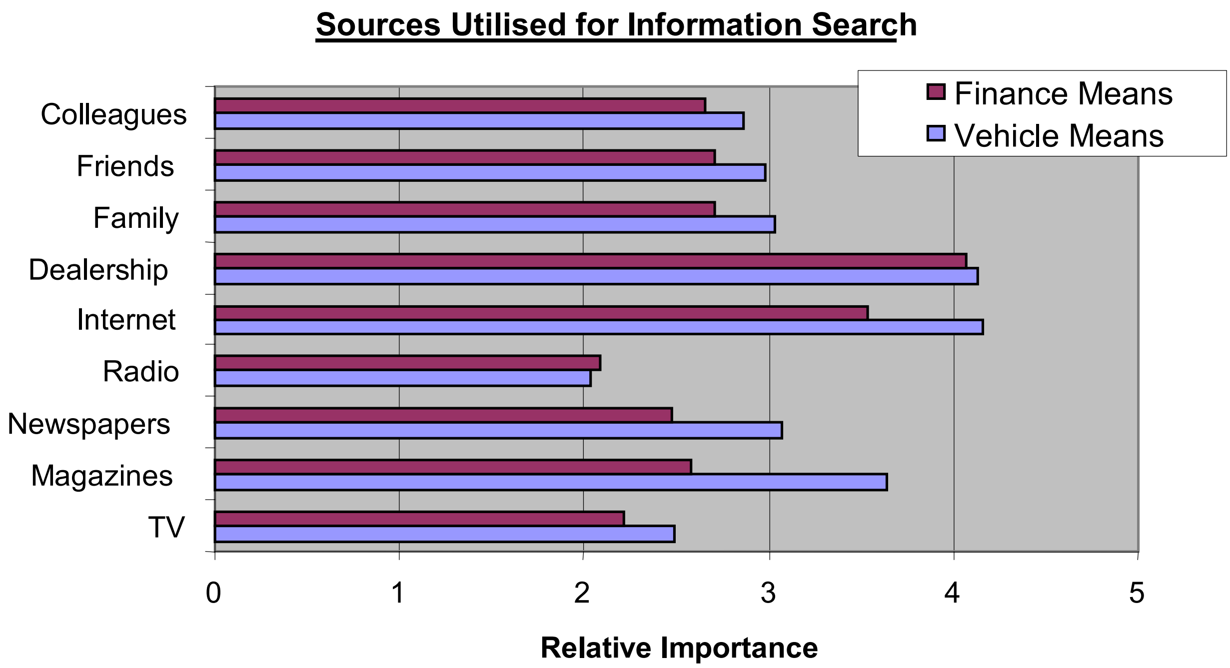


Figure 13: Frequency Results. Question 7/8.

- It is worth noting that all sources were considered more important or as important on average, for vehicles compared with vehicle finance.
- This may tie in to the longer information search process identified through Question 6 results described earlier for vehicle information.
- The vehicle dealership is a common thread as the only source to be considered very important for both vehicle and finance information searches.
- The internet is significantly more important as an information source for vehicles than for finance and equals the dealership as the most important source for vehicle information searches.
- Another noticeable difference from finance to vehicles is the above-the-line mass communication information sources; TV, Magazines and Newspapers, which hold higher importance for vehicle information, particularly newspapers and magazines.

4.1.5.3 Statement Questions

Question 10: Please state your opinion with regards to the following statements on a scale of 1 to 5 where 1 = strongly disagree and 5 is strongly agree. The numbers 2 to 4 form equal intervals in between 1 and 5.

- This question looks at different statements and whether the respondent agrees or disagrees in the following scale;
    - 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree. There are 4 statements which we will analyse against vehicles vs. vehicle finance below.

- It is clear not only from the differences between vehicle and vehicle finance answers to this question in Table 5 below, but throughout the survey, that respondents placed less importance on finance issues vs. vehicle issues.
- The first 3 statements deal with information and advertising – in all 3 cases there is a significant difference in the average responses for vehicle and finance questions, with vehicle coming out as the more important of the two.

Statement		Mean
1 - Vehicle	Advertising can create a desire to purchase a new vehicle	3.96
1 - Finance	Advertising of a financial product can create a desire for a new vehicle purchase	3.23
2 - Vehicle	I search for information on vehicle alternatives through various sources	3.95
2 - Finance	I search for information on vehicle finance alternatives through various sources	3.60
3 - Vehicle	I make an in-depth search for information when purchasing a vehicle	4.04
3 - Finance	I make an in-depth search for information when purchasing vehicle finance	3.61
4 - Vehicle	I consider myself loyal to the brand of vehicle that I drive	3.85
4 - Finance	I consider myself loyal to the finance company that I use	3.21

Table 5: Frequency Results. Question 10.

- In terms of statement 4 around loyalty, the results are very interesting. We can conclude that customers consider themselves more loyal to their vehicle brand than to their finance brand based on their average responses. However, when one goes back to question 3 and 4, we see that the reality in terms of purchase behaviour of these respondents is in fact the opposite of this.

4.2. Cross Tabulation Results

The cross tabulation results are divided into 2 sections; Age Cross-Tabulation and Buying Experience Cross Tabulation. Where possible, cross tabulation comparisons will be made for vehicle results against vehicle finance results.

Whilst all questions where cross tabulated for analysis, only where statistically significant results exist will they be identified in this section. The Statkon department at the University of Johannesburg have recommended that in order for us to draw statistically significant results, only cross tabulations with a Pearson Chi-Square Result of 0.100 or less be used; the lower (closer to 0.000) the value the more statistically significant. The Pearson Chi-Square will be noted when results are given in this section.

4.2.1. Age Cross Tabulation Results

- In this analysis, the age categories identified in Table 1 have been cross tabulated against questions 6 – 10 to look at how different age groups act differently when purchasing vehicles and vehicle finance.

Question 6: Which one of the following best describes how long it took you to decide to purchase, search for information and decide between alternatives for vehicle and vehicle finance purchases.

- In this question there was no statistically significant trend that was established for different age groups for any of the three purchase decision process steps or purchase types.
- Certain individual questions, such as time for information search for vehicles showed that Over 50 year olds searched over a longer period of time than other groups, but no trend for youngest to oldest was identified that could justify a distinct difference.

Question 7/8: On a scale of 1 to 5 where 1 is not important at all and 5 is very important; indicate the importance of each of the following sources when conducting a search for information on vehicles (Q7) and vehicle finance (Q8)?

- Several sources exhibited statistically significant results for these questions.
- The results for Radio have been excluded due to the fact that they were very low in importance for customers and so while a trend exists from an age perspective it is not important due to the overall perception of the source.

- The Internet and its relative importance as a source for information search for vehicles and vehicle finance, showed the greatest trend from an age perspective for both types of purchases. (Vehicle Pearson Chi-Square = 0.005, Finance Pearson Chi-Square = 0.000)

- Although its relative importance for vehicles is higher as already discussed, the trend for both purchases is clear and statistically significant in that younger customers see the Internet as more important with this perception dropping steadily among older categories as set out below.
- It is concluded, that while older consumers also consider the Internet an important information source, it would seem that younger consumers consider it essential. This is especially true for vehicle information searches and less so for finance.

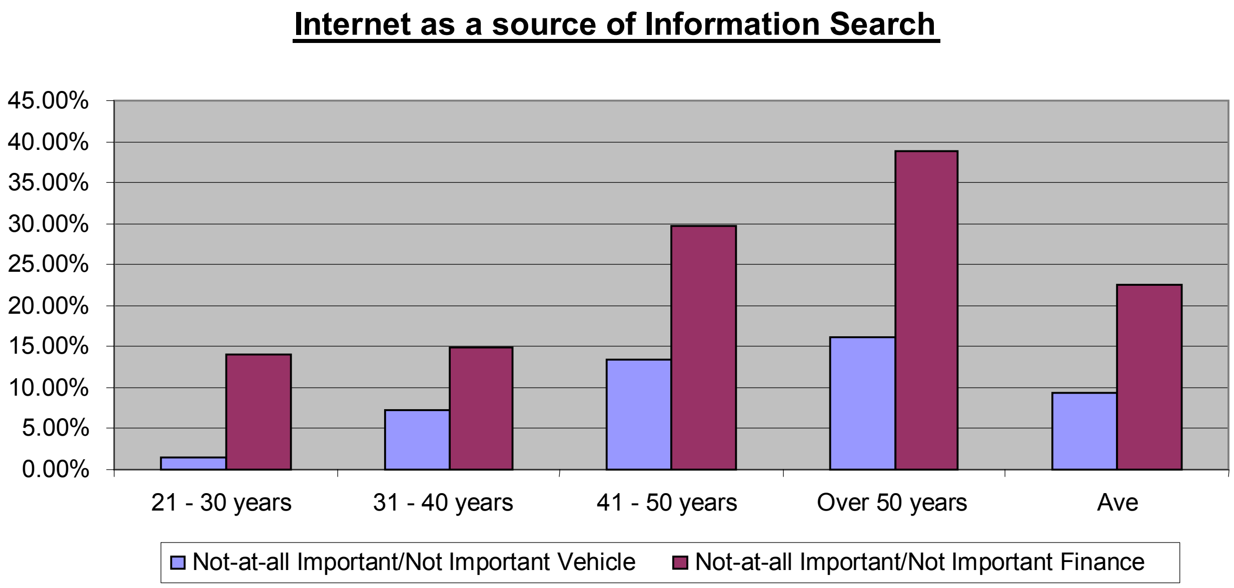


Figure 14: Age Cross Tabulation Results. Question 7/8.

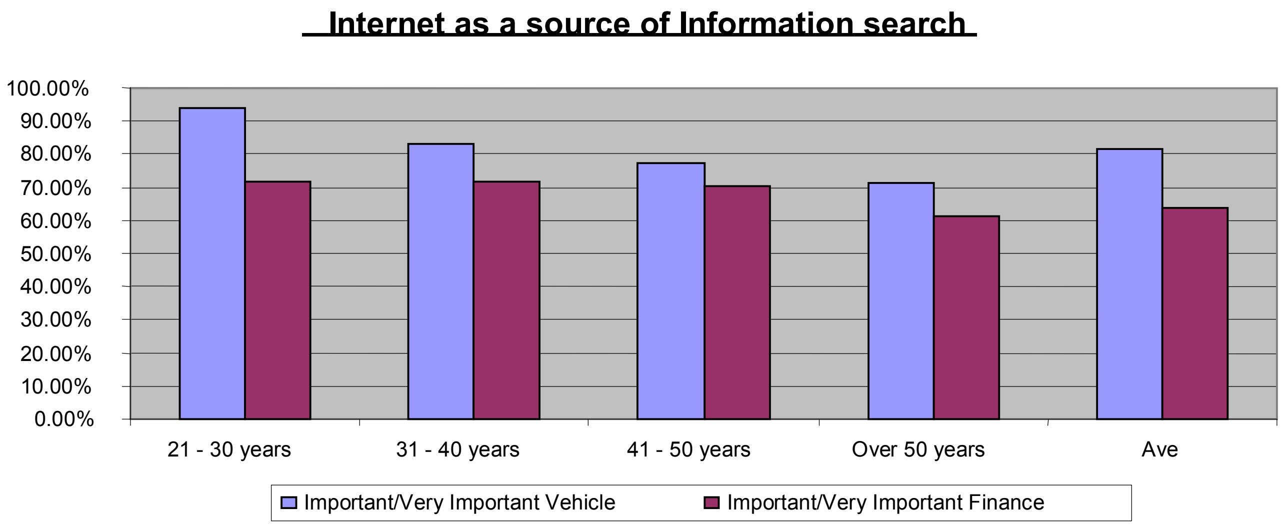


Figure 15: Age Cross Tabulation Results. Question 7/8.

- Other sources in the information search section that hold significant trends for different age categories are family, friends and colleagues.
- Vehicle Pearson Chi-Square Values; Family = 0.000, Friends = 0.026 and Colleagues = 0.029.
- Finance Pearson Chi-Square Values; Family = 0.001, Friends = 0.014 and Colleagues = 0.041.

Family as an information source

Family	Not-at-all Important/Not Important	Not-at-all Important/Not Important	Neither important nor unimportant	Neither important nor unimportant	Important/Very Important	Important/Very Important
Age	Vehicle	Finance	Vehicle	Finance	Vehicle	Finance
21 - 30 years	**6.20%**	**20.30%**	44.60%	25.00%	**49.20%**	**54.70%**
31 - 40 years	**30.10%**	**43.90%**	30.70%	26.40%	**39.20%**	**29.70%**
41 - 50 years	**48.90%**	**56.90%**	21.30%	18.90%	**29.80%**	**24.20%**
Over 50 years	28.30%	45.00%	26.70%	21.70%	45.00%	33.30%
Ave	30.40%	43.40%	30.10%	23.40%	39.50%	33.20%

Table 6: Age Cross Tabulation Results. Question 7/8.

- As can be seen in the table above, family as a source shows a trend of increasing importance for younger customers. A similar trend can be seen for the sources of Friends and Colleagues outlined in the tables below.

Friends as an information source

Friends	Not-at-all Important/Not Important	Not-at-all Important/Not Important	Neither important nor unimportant	Neither important nor unimportant	Important/Very Important	Important/Very Important
Age	Vehicle	Finance	Vehicle	Finance	Vehicle	Finance
21 - 30 years	**12.30%**	**25.00%**	38.50%	26.60%	**49.30%**	**48.40%**
31 - 40 years	**27.50%**	**39.60%**	35.30%	31.50%	**37.30%**	**28.90%**
41 - 50 years	**40.60%**	**50.50%**	30.20%	22.10%	**29.20%**	**27.40%**
Over 50 years	**32.20%**	**54.20%**	35.60%	20.30%	**32.20%**	**25.40%**
Ave	29.00%	42.20%	34.60%	26.40%	36.40%	31.30%

Table 7: Age Cross Tabulation Results. Question 7/8.

Colleagues as an information source

Colleagues	Not-at-all Important/Not Important	Not-at-all Important/Not Important	Neither important nor unimportant	Neither important nor unimportant	Important/Very Important	Important/Very Important
Age	Vehicle	Finance	Vehicle	Finance	Vehicle	Finance
21 - 30 years	**12.30%**	**29.70%**	46.20%	25.00%	**41.50%**	**45.30%**
31 - 40 years	**37.30%**	**43.90%**	35.90%	30.40%	**26.80%**	**25.70%**
41 - 50 years	**41.20%**	**48.90%**	28.90%	24.50%	**29.90%**	**26.60%**
Over 50 years	**32.20%**	**52.50%**	33.90%	18.60%	**33.90%**	**28.80%**
Ave	33.20%	44.10%	35.60%	26.00%	31.20%	29.90%

Table 8: Age Cross Tabulation Results. Question 7/8.

- Although the trend for colleagues is the weakest of these three sources, it is still statistically significant and similar to the others above.

Question 9: On a scale of 1 to 5 where 1 is not important at all and 5 is very important, indicate the importance of each of the following characteristics you consider when evaluating vehicle finance:

- In this question, there were only 3 areas that showed a statistically significant trend in terms of age groups. These are shown below and discussed in more detail.

- For the first 2 areas, namely Credit Approval Time and Dealer Referral, the differences among age categories are very marked between the 21-30 year old and over 50 categories, with the middle 2 age categories showing slight trend reversals.
- For both of the above categories, there is a distinct difference between these 2 age categories. We can conclude from this that there is significantly more emphasis placed on these by younger consumers in terms of service delivery and dealer trust.
- Pearson Chi-Square Values: Credit Approval = 0.100 and Dealer Referral = 0.008.

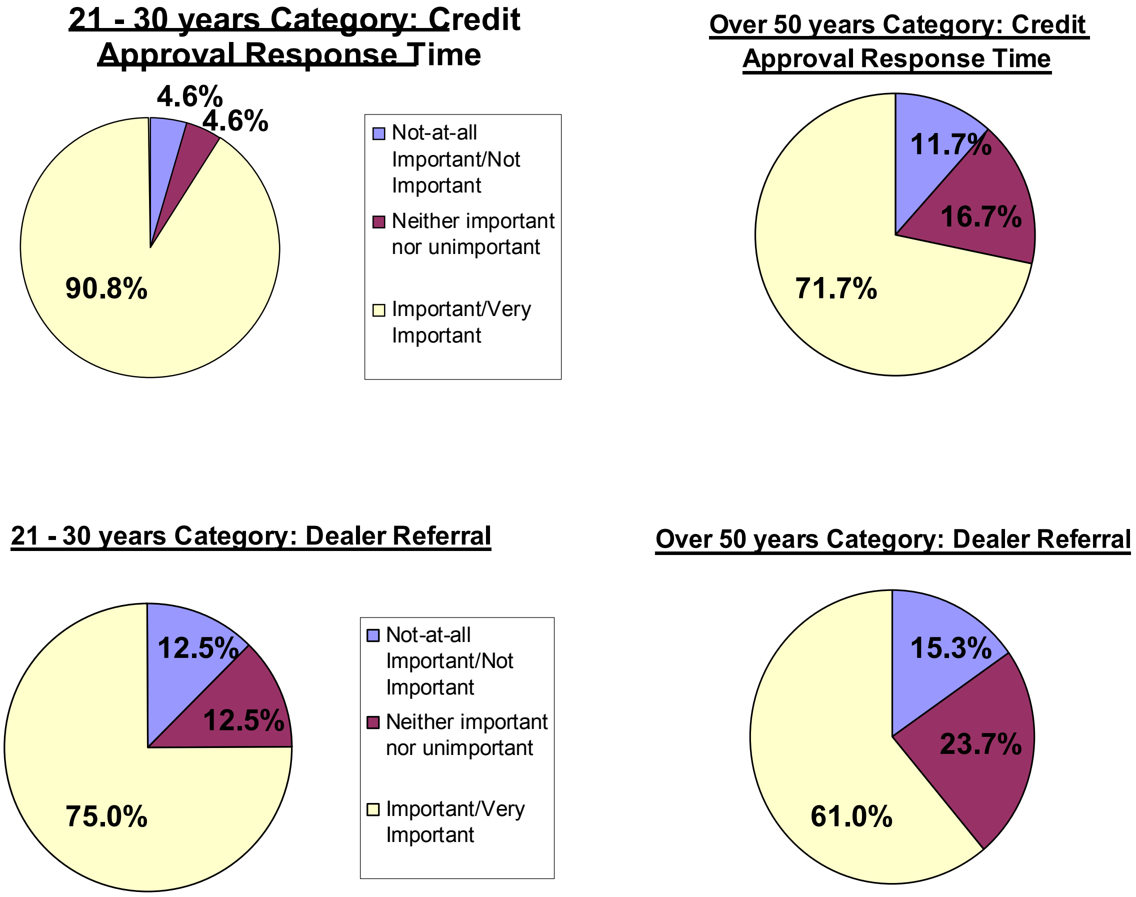


Figure 16: Age Cross Tabulation Results. Question 9.

- The next category in this question is flexibility (shown on the next page in Fig. 17). For this factor there is a significant trend that moves across all age brackets showing the increasing demands of younger groups in terms of what they expect from finance offerings.
- This could reflect the financial positions of the various groups, with younger customers having to balance various high value debt purchases, whereas older consumers may already have more established asset portfolios.
- Pearson Chi-Square Value (Flexibility) = 0.035

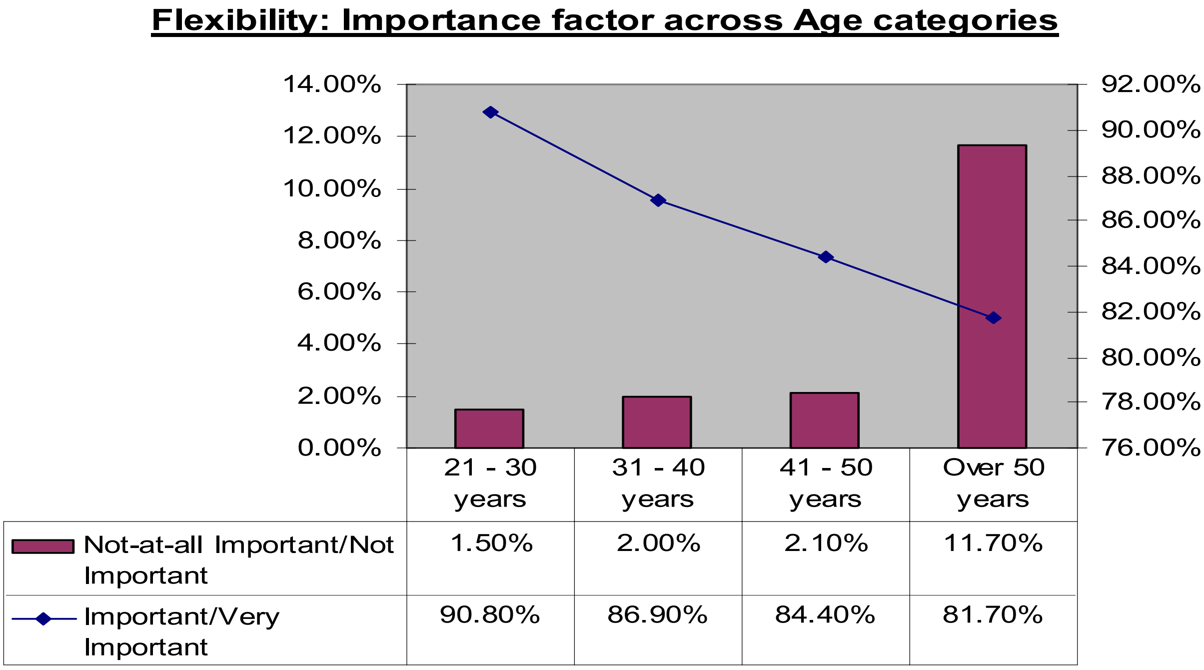


Figure 17: Age Cross Tabulation Results. Question 9.

4.2.2. Level of Experience Cross Tabulation Results

In this section, the results from Table 2 have been cross tabulated against questions 6-10 to analyse the effect of experience on the behaviour of consumers. We have 3 groups as shown from the redisplay of Table 2, of people who have purchased since the beginning of 2000. These groups will be used as distinct groups with different levels of purchase experience.

The same Pearson Chi-Square statistical validity test is applied to this section as was done in the Age cross tabulation section.

Number of Vehicles since 2000	Frequency	Percent
1 or 2	172	45.3%
3	95	25.0%
4 or More	112	29.5%
Missing	1	0.3%
Total	380	100.0%

Table 2: Frequency Results. Question 2.

Question 6: Which one of the following best describes how long it took you to decide to purchase, search for information and decide between alternatives for vehicle and vehicle finance purchases.

- For this question, there were statistically significant trends established for buyers with different experience for information search and for time of evaluation and actual decision, although the initial decision to purchase phase showed no trends.
- The 2 decision stages with trends identified are discussed below.

Time for Information Search

- For both information search for vehicles and finance, there is a distinct trend that shows how more experienced respondents take a much shorter time to search for information regarding their purchase as shown below.
- Pearson Chi Square Values: Vehicles = 0.045, Finance = 0.023

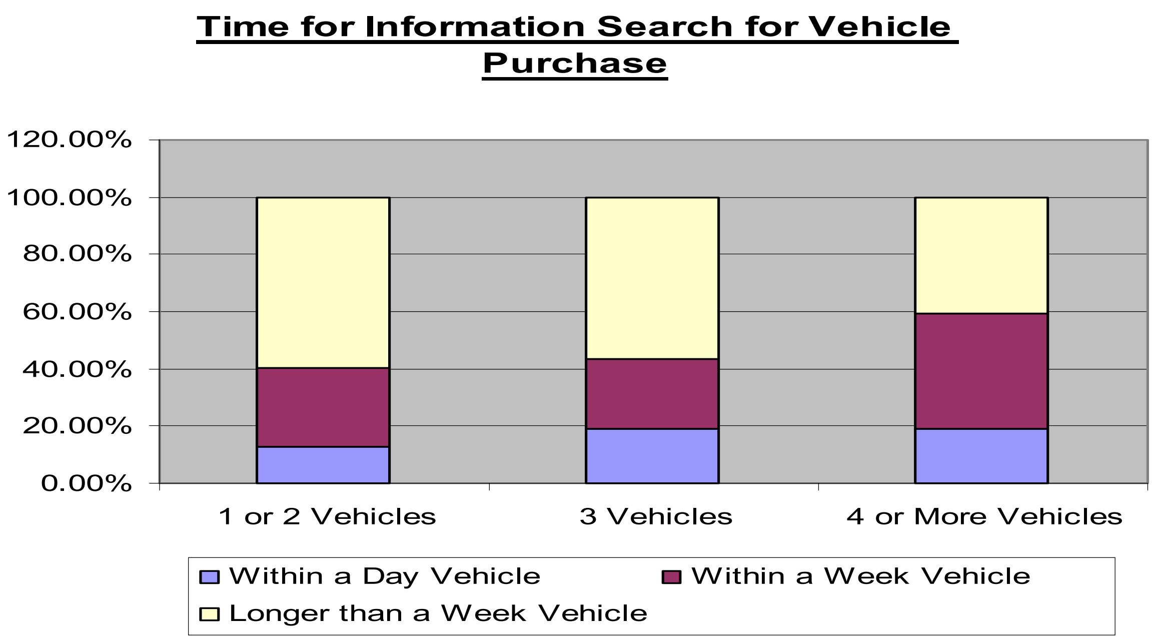


Figure 18: Level of Experience Cross Tabulation Results. Question 6.

- It is clear from Fig. 18 and 19 that there is a clear acceleration in time taken to search for information for respondents with a higher level of purchase experience.

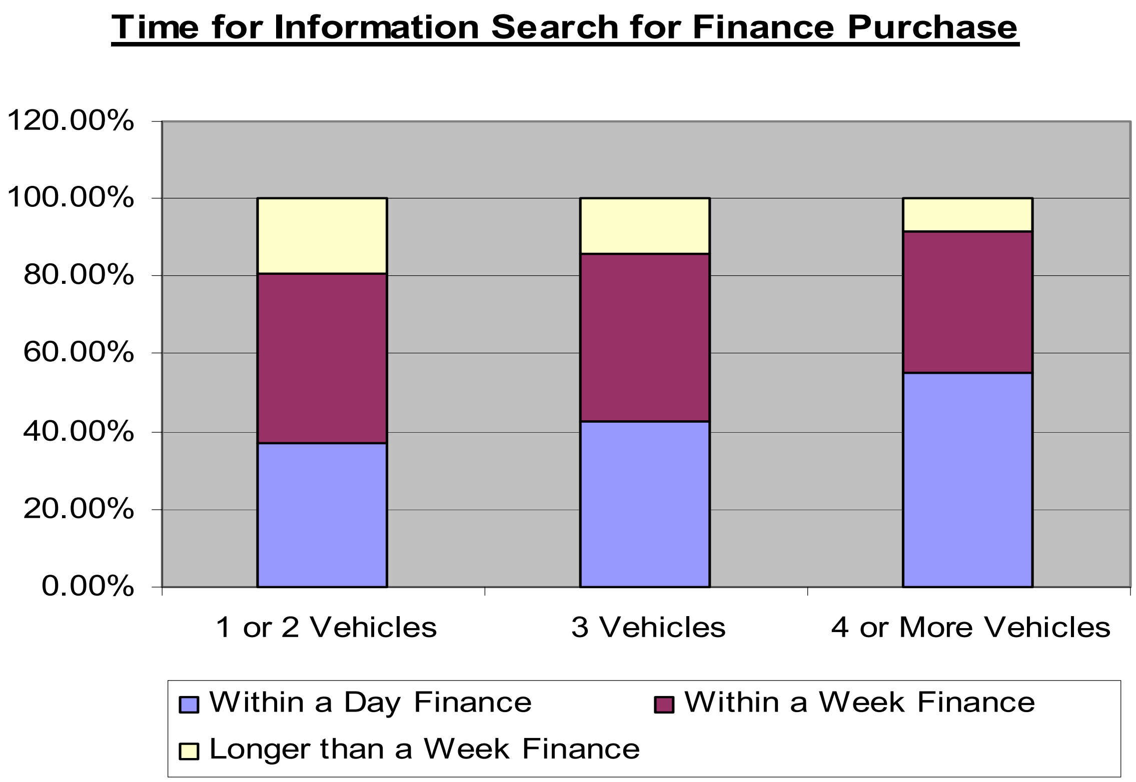


Figure 19: Level of Experience Cross Tabulation Results. Question 6.

- This is much more dramatic for finance; in the highest experience category (4 or more vehicles) over 90% of respondents undertake the search for information regarding this purchase within 1 week.

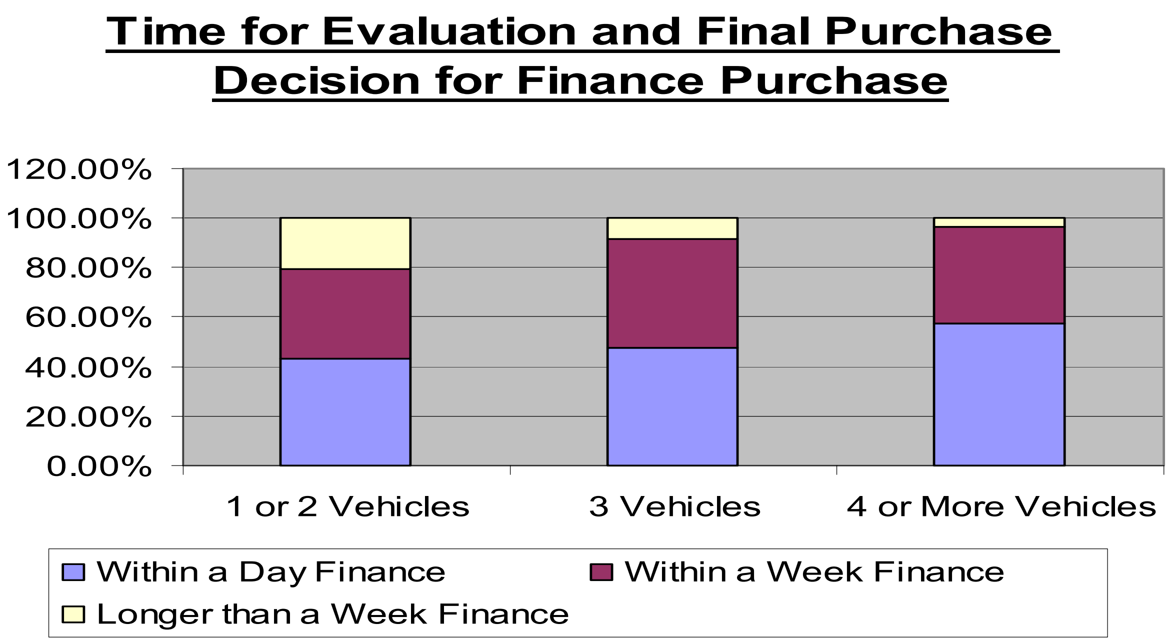


Figure 20: Level of Experience Cross Tabulation Results. Question 6.

Time for Evaluation and Final Purchase Decision

- For the evaluation of alternatives and actual purchase decision there was only a statistically significant trend identified for finance purchases.
- For finance, the trend is similar to that in information search, where vehicle finance buyers with higher experience levels make decisions in much shorter time frames than their less experienced respondents. This is set out in Figure 20.
- Pearson Chi-Square Value = 0.000

Question 7/8: On a scale of 1 to 5 where 1 is not important at all and 5 is very important; indicate the importance of each of the following sources when conducting a search for information on vehicles (Q7) and vehicle finance (Q8)?

- This question exhibited only 1 source for finance that showed a statistically significant trend for buyers of different experience levels.
- This source was the dealership as a source of information for finance.
- This shows that clients with more buying experience rely less on the dealership for information on vehicle finance.
- Pearson Chi-Square Value = 0.100

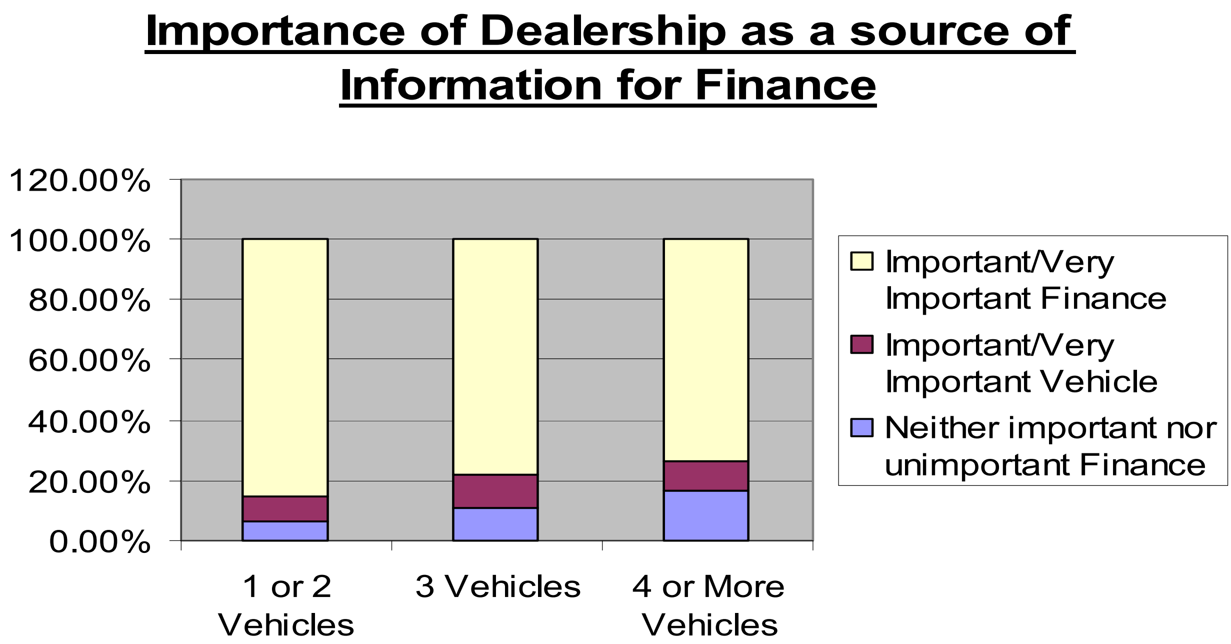


Figure 21: Level of Experience Cross Tabulation Results. Question 7/8.

Question 9: On a scale of 1 to 5 where 1 is not important at all and 5 is very important, indicate the importance of each of the following characteristics you consider when evaluating vehicle finance:

- For this question, there was only 1 statistically significant trend that came out for respondents with different levels of purchase experience. This was for dealer referral and its importance to these customers.
- This follows on from the trend seen above from question 8, where respondents with higher levels of purchase experience seemingly place less emphasis and reliance on the dealer for information and advice regarding their decision.
- Pearson Chi-Square Value = 0.021

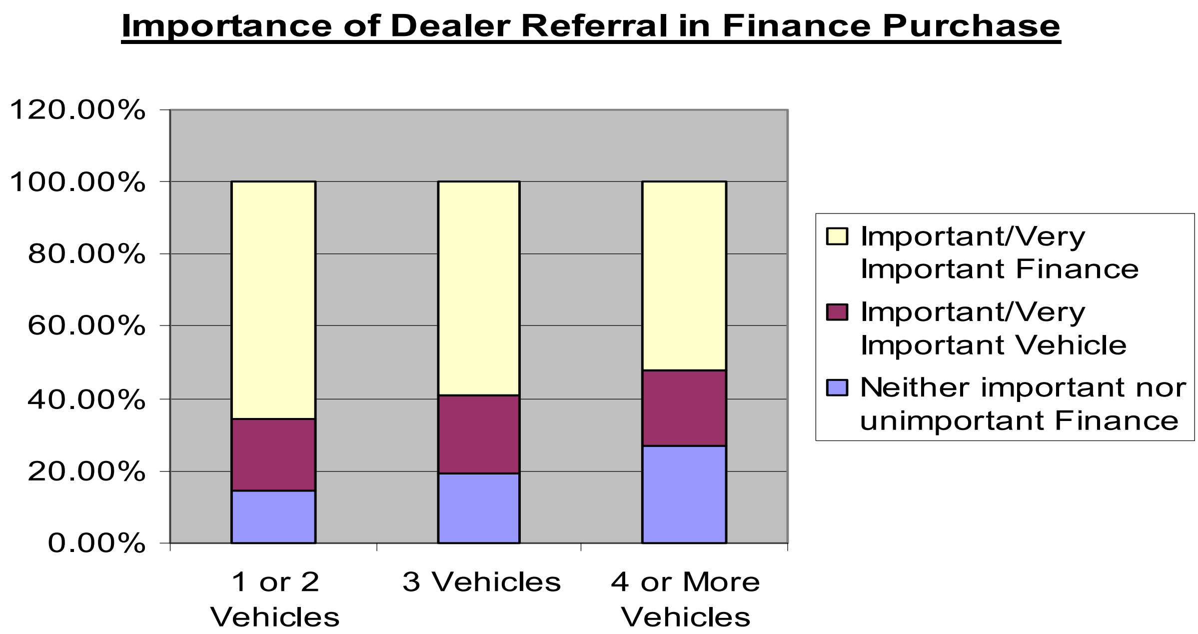


Figure 22: Level of Experience Cross Tabulation Results. Question 9.

Chapter 5 - Conclusion and Recommendations

5.1 Summary of Research Findings

It is clear, both from the literature reviewed and from the quantitative research findings that there is a distinct difference in the purchase behaviour of goods. The research findings are that there is a difference in the way customer's purchase, but also in the purchase decision-making process itself. Services customers move through the process at different speeds driven by different complexities in the process in different phases compared to vehicle customers.

Complexity is a clear difference between the two types of purchases. Finance holds unique complexities around evaluation and especially for new customers, but mainly in the area of post-purchase activities. Due to the Finance customer having to consume the product over time, it is far more difficult to become satisfied and therefore loyal towards a finance product.

The quantitative results provided a unique situation regarding loyalty. The respondents first answered regarding their actual purchases for both finance and vehicles in recent years and then were given a statement regarding how loyal they perceived themselves to be towards their vehicle and finance brands. Ironically the perception of loyalty from the customer was that they felt more loyal to their vehicle brand vs. their finance brand; whereas the actual purchase history of the respondents showed that they purchased a wider variety of vehicle brands vs. finance brands.

This phenomenon may be caused by a stronger association to the vehicle itself against the intangible financial service or due to higher costs of switching for financial services, forcing loyalty that may not be there. There is definitely a hassle factor that goes with changing a service provider and certainly more so than changing a vehicle and this may be a factor here as well. Whatever the case it illustrates the relative importance of the vehicle and vehicle brand in the mind of the customer over the finance brand, even when there may be more real underlying loyalty to the finance brand.

Vehicles on the other hand hold massive complexities that start with the recognition of the need itself in that marketers constantly have to communicate the value and benefits of new models. This complexity increases through information search and evaluation with essentially similar competing products that are very different in how they are packaged for the consumer. These complexities are borne out in the quantitative results where the time take, even for experienced buyers was far higher for the vehicle purchase than the finance purchase, for them to move through the decision-making process.

The last point that can be summarised from this research is the purchase decision making process on which this research study is based is certainly not cast in stone from a vehicle or finance perspective. Customers are constantly moving between phases, experiencing dissonance along the way as they make various decisions. Marketers have difficulty in constantly reinforcing customer behaviour through the process. This is true again for vehicles and finance.

Another great difficulty for marketers of the overall vehicle and finance purchase is that customers do not move concurrently through the process with each product. This makes it difficult to control the customer's decisions and actions, when they may have to make a difficult decision regarding evaluation of finance products and perhaps at the same time experiencing internal dissonance regarding a decision they have made concerning which vehicle to purchase.

As one can image, this is close to impossible for the marketer to handle and in most cases this job will fall to the vehicle dealership to be able to handle the vehicle and finance sales simultaneously in order to hopefully manage the process more smoothly. In this scenario, organisations need to given the right reinforcing messages at the right time for both products as well as providing a rich source of information for the customer. This was backed up in the quantitative results, where the dealership and its importance for information and advice was rated very highly for vehicle and finance purchases.

5.2 Conclusion of Research Findings

In this section, the results of the quantitative survey will be focused upon. The implications for marketers will be looked at as an outcome of the results as well as relating these back to the original research objectives discussed in Chapter 1 during orientation.

5.2.1 Research Results and Implications for Marketers

The research looked at the time frames for vehicle and finance purchases within the decision making process. The findings in Chapter 4 show that the time frames associated with the vehicle purchase are significantly longer. This is consistent across the problem recognition and information search phases as well as the evaluation and purchase phases.

The implications of this is that the marketer has more time to influence and interact with the customer for a vehicle purchase than for a finance purchase. For some customers, all of the finance decisions can be made within a week or two and it is crucial that marketers are aware of this fact and ensure that their processes are set-up to get back information and answers about their products before competitors can as speed is of the essence.

The next area that the research investigated was the search for information and the sources considered by customers for vehicle and finance purchases. In this case, the research showed that whilst the dealership was the most important source for vehicle and finance purchases, the other sources varied greatly. The Internet did however prove equally important as a source for both purchases and although slightly higher for vehicles, important for both nonetheless.

For vehicle purchases, several above-the-line mass communication sources such as magazines and newspapers were seen as important, more so than personal sources such as friends or family. For finance however all sources excluding the Internet and dealership scored below average in terms of importance.

The implications of this are that for vehicle marketers, existing channels being used are reinforced through the research and no changes are recommended. For financial services marketers however, the above-the-line mass communication sources could be replaced by emphasis on external sources to persuade customers to join the fray on a referral basis.

For both vehicle manufacturing organisations and financial services organisations, the retail dealership remains the cornerstone of information for both purchases. In the case of the other most important factor, the Internet, the customer is removed and cannot use all their senses to feel the product. Where possible, marketers should use the Internet as an auxiliary or complimentary strategy to encourage dealer showroom traffic.

The next issue that was surveyed was that of relative importance of finance factors to customers in evaluating their finance purchase. The discouraging thing from a marketing point of view is that the 10 factors listed, all came in of relative importance from a customer perspective and therefore the marketer is not just able to focus on 1 or 2 aspects to win more customers. This reinforces the fact that finance and the total service offering is a difficult one for the customer to evaluate. Cost, service and quality elements could be a way to summarise the various factors listed. By implication, the customer is looking for the best service, highest quality products to deal with at the best price.

As product consumption happens over time for financial services customers it is important for the organisation to be able to offer competitive interest rates and lowest cost of ownership (finance division) with the best service (operations division) and the best products of high quality presentation and feel (sales and marketing division). This shows how an entire financial services organisation must come together to provide a competitive offering as these are all important factors, demanded by the customer.

In the last section of the research, statements were given to customers to gauge their level of agreement with these statements. As many of these directly compared relative importance of vehicle or finance perceptions, it was clear from the results that although both purchases are seen as important by the customer, the vehicle purchase is seen as more important across al factors probed for. By implication, marketers should not try to sell vehicles by means of finance only, but should use the finance product as a way to improve the overall offerings and communicate value to the customer for both products.

5.2.2 Age as a Factor

The research then looked at the implications of age and how this affected the overall results when analysed across age groups. The major outcome of this analysis was the mediums used for information search and the differences among age groups.

The Internet as a medium showed a significant trend across age groups, with younger customers having a higher propensity to use the Internet and this was consistent across vehicle and finance purchases. Marketers need to ensure that they understand and target the groups that primarily use the Internet, although this is not easy as even the oldest group still found the Internet a very important medium. The marketer need to look at when to use Internet only vs. dual-medium approaches. Understanding of target markets is important and for example an under-30 year old campaign for young professionals could be heavily done through the Internet whereas a campaign for over 50 year olds may need a more balanced approach.

The influence of external sources for information also showed that younger customers showed a higher propensity to use these sources than older customers. This is perhaps because older customers have a more established view of the world and what they want and have more years of purchase experience behind them.

The research also looked at factors of importance for finance evaluation across age groups. This found that younger customers want faster turnaround times for credit granting answers, more flexibility and more advice from their dealers.

The implication of this is that the younger customers want new and innovative products and whilst the marketer could get away with existing offerings for older customers, this is increasingly unlikely for younger buyers. Overall these trends mean that finance companies will be under increasing pressure to engineer superior, faster service backed up by new and innovative products in order to compete.

5.2.3 Level of Experience as a Factor

The next section of cross-tabulation looks at how respondents with different experience levels have answered various questions. The first major outcome from this section is that particularly for time of information search, there is far less time taken by more experienced buyers for vehicle and finance purchases. For finance purchases, the time for evaluation of alternatives and purchase itself also takes less time for the more experienced buyer.

The marketing implications of this are that more or less experienced customers have different needs. More experienced customers will act faster and don't want to be bogged down in the process. Less experienced customers, will take longer and the marketer can use this time to provide more advice and information to aid the decision making process.

The last 2 important outcomes from this section of the research both concern the dealer and are information provision and referral for finance by the dealer. In both cases, more experienced buyers see this as less important and by implication the marketer must recognise this and use other mediums or sources where possible. In the case of information, the Internet is the perfect alternative, where the customer knows what they want and can find it quickly without a salesperson trying to sell to them. In the case of dealer referral, the marketer must drive this hard for first time buyers or less experienced buyers and yet not antagonise more experienced buyers by trying too hard to sell to them.

5.2.4 Research Objectives

- The **primary objective** of the research is to determine the relative importance of financial services in the decision making process when purchasing a vehicle in South Africa.
- In this case it was found that financial services are considered important by customers, but not as important as the vehicle purchase. We can conclude that they are in essence a means to an end and the customer still tries to maximise their value and thus their importance.

There were 3 **secondary objectives**:

- Firstly to determine an age profile against which finance can be measured within the decision making process to highlight how age affects the importance of finance as a factor within this process.
- In this case we can conclude that age does have an impact, but only in certain areas was this found to be statistically relevant. The way customers search for information was the most affected by the age group of the respondent.

- Secondly to determine a buyer experience profile against which finance can be measured within the decision making process to highlight how buyer experience affects the importance of finance as a factor within this process.
- In this case we can conclude that it does have an impact in that certainly the time taken through the process decreases with more buying experience. The way customers rely of the dealership also reduces with more buying experience.

- Lastly to determine where finance has the greatest impact within the decision making process and therefore where the greatest joint marketing opportunities exist for motor manufacturers and vehicle financiers.
- In this case we can conclude that the evaluation and final decision phase presents the greatest chance as the relative importance of finance in this section was closest to that of vehicles. It is in this section were finance can be used to communicate the value of the vehicle purchase and can help to close the vehicle sale and therefore represents the greatest joint marketing opportunity.

5.3 Recommendations

5.3.1 Recommendations for Organisations

From the research conducted in this study, it is clear that organisations can use these research findings to change the way they currently do business. Firstly, organisations need to look at the vehicle finance sale in context to the vehicle sale. Organisations must attempt to get these sales processes to run more concurrently as customers note the importance of finance to the whole process albeit less important than the vehicle purchase.

Organisations also need to look at the time frames that are accompanying these purchases. They must try to speed up the overall process and they must do this through more constant reinforcing of customer decisions throughout the process. Organisations need to realise that dissonance must be managed from problem recognition, all the way through the process and lifecycle of the decision-making process and product ownership and use.

There needs to be a distinct marketing awareness of how customers search for information and what sources are used for vehicle and finance purchases accordingly. Organisations must guide their efforts in these directions for both products thereby getting the right message to the right customer at the right time; which is crucial in this phase.

Financial services organisations need to be aware of what factors customers consider important when evaluating alternatives and communicate their proposed offers to customers in this way to ensure that they are reinforcing what the customer needs to hear. Product benefits that fulfil these importance factors must be communicated to get maximum reinforcement to the customer in terms of what the company is offering them.

Organisations need to understand that customers of different age groups search for information differently and pair this with distinct market segmentation and target group definition to reach the right customers in the right places. Different age groups also consider different finance product factors to be of different importance and companies must understand which groups they should be communicating which factors to.

It is also essential for organisations to understand that customers with different buying experiences purchase both vehicles and finance differently. They go through the process in a shorter space of time, know what information they are looking for and rely less and less on the dealership for information and advice. Most of all, organisations must understand the purchase decision making process so that they are able to make decisions about what they are trying to achieve from their marketing. They need to be stimulating needs, providing information, presenting strong product offerings to be evaluated and above all reinforcing decisions made by customers at every stage. By targeting the right customer, at the right time and in the right place, they will go a long way to securing not only a sale but a life-long relationship with their customers.

5.3.2 Recommendations for Future Research

The most crucial aspect missing from this research is the customer's self-concept and lifestyle and how this influences the consumer's behaviour. This is depicted in Figure 2. This influence is made up of many internal and external factors that all have an effect on the way a customer purchases.

This type of research would deal very much with why two seemingly identical customers may make very different purchase decisions based on who they are as people and not just from a sociographic or demographic perspective. A qualitative approach would need to be employed for this type of research to "get into the head" of the consumer and piece together the influences that go into their decision making.

This research project has mainly looked at the marketer's controllable factors and how they manipulate these to maximise the objective offering to the customer. The self-concept aspect looks at the subjectivity involved in purchasing and this would provide an excellent addition to this research.

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