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# An empirical approach to consumer buying behavior in Indian automobile sector

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## Abstract

**Purpose** – In today's highly competitive business scenario, advertising symbolizes one of the key marketing activities. The purpose of this paper is to understand the relationship between advertisement effectiveness and consumer buying behavior for major automobile companies of central India.

**Design/methodology/approach** – A judicious mix of qualitative (focus group and Delphi technique) and quantitative (structured questionnaire survey) research methods was used for the present study.

**Findings** – Study found that for automobile sector, effective advertisements have a positive impact on consumer buying behavior. It suggests that customer's attitude can be shaped favorably through effective advertising. Automobile companies must arrange special training sessions and learning programs for their sales force to ensure supportive customer purchasing behavior.

**Research limitations/implications** – The scope of the present study is limited to major automobile companies of central India only. Although, the findings can be interpreted and generalized in a global business scenario.

**Originality/value** – The research work is first of its kind that attempts to study the impact of effective advertising on consumer buying behavior in Indian automobile context. The findings and recommendations can be used for strategic planning of training sessions and workshops for different stakeholders in automobile industry.

**Keywords** Advertisement effectiveness, Automobile industry in India, Consumer buying behaviour, Corporate training, Delphi technique

**Paper type** Research paper

## 1. Introduction

Today's business scenario is highly competitive, dynamic and technology driven. Competition has forced organizations to change themselves dramatically to deliver finest to their customers and to meet continuously rising customer demands. The technological advancements, speedy globalization and easily available market information to customers have further complicated the situation (Bovet and Sheffi, 1998). In such an aggressive business circumstances; advertising signifies an imperative mean through which organizations communicate with their existing and prospective customers worldwide (Bendixen, 1993) and automobile industry in India is no exception.

Advertising is a significant element of a company's promotional mix in Indian automobile sector. It strongly impacts the automobile business in India and has played a significant role in its rapid growth in recent years. It not only serves as an essential tool for creating awareness in customer's mind but also affects purchase intentions and eventually buying decisions (Abideen and Saleem, 2011). Advertisements not only change the way in which a market offering is consumed by its end users but also impacts their mindset to look at the product or service (Rai, 2013). As a result it is of utmost importance to explore the subject of advertisement effectiveness

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# **“Advertising is a significant element of a company’s promotional mix in Indian automobile sector.”**

for automobile sector in India and to analyze its relations and impact on consumer’s buying behavior. It will contribute considerably to the productivity of advertisers by making provisions for marketing budgets effectively as well (Bendixen, 1993). In this light, the present research attempts to study the relationship between advertisement effectiveness and consumer buying behavior for major automobile companies of central India.

## **2. Core concepts**

### **2.1 Advertisement effectiveness**

Advertisement effectiveness refers to how well a company’s advertising achieves the intended (Suttle, 2009). It usually increases over time with many messages or exposures. It is the extent to which an advertisement generates a certain desired effect (Corvi and Bonera, 2010). Numerous scholars (Sheth, 1974; Hanssens and Weitz, 1980; Mortimer, 2008; Alijani *et al.*, 2010) have explored the subject of advertisement effectiveness and its measurement with different perspectives. While early scholars (Sheth, 1974; Bendixen, 1993) focussed on theoretical considerations which resulted in the development of conceptual models to understand advertisement effectiveness; the focus of the researchers (Russel, 2002; Popova and Tanglerpanya, 2011) shifted to identify dimensions of advertisement effectiveness with the advent of various modern media.

### **2.2 Consumer buying behavior**

Consumer buying behavior refers to the processes involved when individuals or groups choose, buy, utilize or dispose of products, services, concepts or experiences to satisfy needs and desires (Solomon, 1995). A behavior that consumers demonstrate in searching for, paying for, using, assessing and disposing of products and services that they anticipate will satisfy their needs (Schiffman *et al.*, 2007). It is a confluence of three fields of social science, namely, individual psychology, societal psychology and cultural anthropology (Ramachander, 1988). A concept that answers what, why, how, when and where an individual makes purchase (Green, 1992); it is extremely important to study the subject of consumer buying behavior as it helps firms to plan and implement superior business strategies (Khaniwale, 2015).

### **2.3 Advertising and Indian automobile sector**

Advertising drives the Indian automobile sector and is an essential element of a company’s promotional mix in prevailing cut throat business scenario. The Indian automobile industry is among the top most spenders on promotional activities with an objective of creating brand awareness and persuading potential customers. Industry experts suggest that advertising expenditures are likely to grow up by 12.6 percent in 2015 (GroupM: this year, next year, February 2015). The year 2015 promises to be another exhilarating year for the Indian advertising industry and automobile sector will contribute a major chunk to the overall advertising outlays (Pitch! Advertising Outlook, 2015). Indian automobile firms are spending a major portion of annual profits on advertising to make the customers more brand conscious and creating a unique positioning in their minds to gain differentiated advantage ([www.ibef.org/reports/march](http://www.ibef.org/reports/march) 2015).

## **3. Research objective**

This paper aims to study the influence of advertisement effectiveness on consumer buying behavior for automobile companies of central India. The following research hypothesis is formulated for the present study:

*H1.* The advertisement effectiveness positively influences the consumer buying behavior for automobile companies of central India.

#### 4. Research methodology

The present research study was carried out in two stages. Qualitative research was conducted in the first stage that formed a base for second stage which focussed on quantitative research approach (Valmohammadi and Beladpas, 2014). Interviews with subject experts were conducted followed by implementation of Delphi technique which helped in in-depth understanding of advertisement effectiveness and consumer buying behavior. Execution of Delphi rounds resulted in the identification of 13 advertisement effectiveness dimensions specific to automobile sector as illustrated in Table I.

Based on the guidelines on Zikmund and Babin, 2007; the second stage of the research study focussed on quantitative analysis which eases the interpretation of the results in simple conclusions. A survey was carried out using a structured questionnaire which was developed by following proven statistical procedures to collect the data. A total of 13 advertisement effectiveness dimensions and related items were included in the questionnaire as suggested by the Delphi panel. The automobile customers of central India formed the sample for the study and were selected through stratified simple random sampling method. Samples selected through stratified sampling technique are statistically efficient and allow the analysis of sample characteristics within the population (Churchill and Iacobucci, 2005). Professionals working at showrooms of major automobile companies doing business in central India were contacted to carry out the research survey. Researchers coordinated with customer relationship managers to reach out to existing automobile customers. Most of the customers were met in person to collect the data for the survey while few of them were asked to fill the questionnaire survey online. A total of 136 duly filled questionnaires were received which were used for the purpose of statistical analysis. A pilot study with 42 customers was carried out to pre-test the questionnaire research instrument. Internal consistency reliability test was used to check the reliability of the questionnaire. It is of utmost importance to check the reliability of a survey instrument as it confirms that the questionnaire will determine the same results at each point of measurement (Rootman, 2006). Further, the validity of the questionnaire was tested which helps to determine the degree to which a measurement is free from both systematic and random errors

**Table I** Identified 13 advertisement effectiveness dimensions for automobile sector

S. No.	Dimension	Definition/interpretation
1.	Interest	An interesting advertisement is fascinating, alluring and holds the attention of its target audience
2.	Persuasion	A persuasive advertisement encourages trial, urges target audience to use the product and is convincing
3.	Informative	An informative advertisement is factual, detailed and aware its target audience about products and services
4.	Believable	Quality of an advertisement to be believed, credible and realistic
5.	Attention	An effective advertisement is appealing, catchy, easily noticed and generates curiosity in the minds of target audience
6.	Recall	An effective advertisement is impressive, unforgettable and easy to remember and recollect
7.	Relevance	An effective advertisement is appropriate, relates itself and communicates clearly about a product or a service
8.	Liking	A successful advertisement is enjoyed, highly appreciated and is strongly attached to its target audience
9.	Recognition	A successful advertisement is easily noticeable, accepted by its target audience and acknowledged without difficulty
10.	Purchase intention	Efficient advertisements create customer desire, aspire customers to purchase and incline its target audience toward a product or service
11.	Memorable	An effective advertisement is noteworthy, captivating and easily remembered and recalled
12.	Response	An effective advertisement is result oriented and ensures target audience's action and feedback
13.	Rationality	Quality of an advertisement of being rational and logical

(Kaplan, 1987). SPSS 17 was used to analyze the raw data collected through survey and to transform it into meaningful information which can be easily understood and analyzed to propose recommendations.

#### 4.1 Statistical analysis

Multiple regression analysis was performed using statistical package SPSS 17. Reliability and validity of the survey instrument were checked first. Split-half reliability test was used to judge the internal consistency reliability in case of present research study (Seth *et al.*, 2006). Also recognized as Cronbach's  $\alpha$  or coefficient  $\alpha$ , 0.60 is considered as a benchmark value and results below it lead to lower acceptability (Ndubisi *et al.*, 2008). For present research work, the value of Cronbach's  $\alpha$  for the developed structured questionnaire was 0.80 which guarantees its reliability. Predictive validity (also known as external validity or criterion-related validity) of the questionnaire was examined which measures the extent to which a research questionnaire is associated to an independent measure of the related criterion (Kaplan, 1987). The results of reliability and validity measures are found acceptable for the developed research instrument.

### 5. Analysis and results

Multiple regression analysis was performed to judge the association between the independent variable, namely, dimensions of advertisement effectiveness and the dependent variable, i.e. consumer buying behavior as illustrated in Table II. It is evident from the results that advertisement effectiveness positively affects buying behavior of customers in automobile sector. The results are significant at  $p = 0.000$ .

Further, it is clear that advertisement effectiveness as an independent variable in multiple regression analysis led to 76 percent variance ( $R$ ) in consumer buying behavior which is dependent variable of the study. It indicates that 76 percent of an expected change in customer's attitude is due to effective advertisements. Further, considering the value of standardized coefficient ( $\beta$ ) it can be inferred that an increment of one unit in advertisement effectiveness will positively influence the consumer buying behavior by 72.4 percent. As a result, the  $H1$  which states that advertisement effectiveness positively influences consumer buying behavior in Indian automobile sector is accepted.

### 6. Discussion and implications

The results of the study imply that if due consideration is given to recognized 13 advertisement effectiveness dimensions, customer's attitude can be shaped favorably which ultimately helps in increasing sales volume and gaining more profits for automobile companies. The research study has several significant implications for advertising agencies, advertisement practitioners, automobile companies and practicing managers in Indian market, as discussed below:

- The advertising agencies and practitioners handling promotional activities for automobile companies can plan exclusive training sessions on understanding of advertisement effectiveness dimensions.

**Table II** Influence of effective advertising on consumer buying behavior

Framework	Sum of square	df	Mean square	F	Sig.	$R^2$	Standardized coefficients ( $\beta$ )	t	Sig.
Regression	319.627	3	72.138	0.560	0.000	0.760			
Residual	6,915.283	133	128.694						
Total	7,234.91	136							
Constant								5.147	0.068
Advertisement effectiveness							0.724	32.816	0.000

- The employees can be trained to understand the impact of a specific advertisement effectiveness dimension on consumer buying behavior.
- Advertising agencies can constantly monitor training and development needs of its people and accordingly skill development programs should be conducted on a regular basis to enhance skills and creativity. Several in-house initiatives can be taken by the senior management to ensure an atmosphere of innovation, originality and out-of-box thinking.
- Automobile companies must arrange special training sessions and learning programs not only for marketing managers who are handling the promotional and branding activities for the company but also for the sales force which is interacting with the customers on a regular basis and responsible for shaping consumer buying behavior. Sales force should be made aware of the significance of advertisement effectiveness and its varied dimensions which are specific to automobile sector (Jones and Goss, 1990).
- Automobile firms can join hands with corporate trainers having expertise in conducting commercial training sessions and may sign MoU with institutes of academic excellence in India or across the globe to provide several refresher courses; management development programs and certificate programs for its sales force and channel partners to sharpen their selling and business skills. Managers may also plan a variety of activities, namely, role plays, group activities/projects, case studies and customized training schedules for the subordinates to make their efforts more efficient and result oriented.
- Companies should ensure that the promotional material, namely, catalogues, leaflets, posters, comparison charts, point of sale material have to be highly effective and must be designed keeping into consideration the elements of advertisement effectiveness to create a quick impact in customers mind.
- Companies can arrange regular meetings with the professionals and sales executives working at showrooms to educate them about advertisement effectiveness and its different aspects. The recommendations if put into practice strategically will make the Indian automobile companies more competitive in international automotive market.

## 7. Concluding remarks

The present research work attempted to study the relationship between advertisement effectiveness and consumer buying behavior of automobile customers for central India. Even though the study was carried out at selected showrooms of major automobile companies operating in central India; the research outcomes and suggestions may be generalized to the automobile players across the country as the products and services offered by other companies are highly standardized. Research results suggest that advertisement effectiveness and its specific dimensions for automobile sector which strengthen it positively influence a customer's buying behavior. The acceptance of research hypothesis confirms that advertising agencies and practicing managers must be focussed while planning an advertisement campaign and should pick up the relevant advertisement effectiveness dimensions strategically during the design and development stage of a product-specific advertisement. A strategic implementation of research outcomes of present study will constructively influence consumer's buying behavior which will lead to greater profitability and sustainability of automobile business in long run.

**“[...] advertisement effectiveness and its specific dimensions for automobile sector which strengthen it positively influence a customer's buying behavior.”**

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