# Consumer Behaviour of Luxury Automobiles: A Comparative Study between Thai and UK Customers' Perceptions

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Total worldwide sales of premium luxury and entry luxury saloons and sports cars are of the order of 1.5 million units a year (Scheele, 1995: 190). The major luxury markets today are the USA, Germany, UK and Japan. The £21.1 billion UK new car market competes with France and Italy, to be the second biggest in Europe behind Germany (Harbour, 1997: 7,22). The new registration of luxury marques' cars in 1997 in UK alone was 154,506 units (MAVEL, 1997: 59). In other markets, especially in South East Asia there are, of course, significant sales of luxury cars. However, these are limited to total volume either by the overall industry size or by local market conditions and preferences. Accordingly, the luxury car market overall is currently undertaking a social change with luxury brands seeming less remote, less different, and less exclusive with the quality of life improving. As a result, increasing competition between makes has intensified the importance of brand identity. As product standards continue to rise, the perceived image of a car make plays a key role in the buying decision. The premium marques such as BMW, Lexus, and Mercedes-Benz must develop attributes and values that reflect changing social values which influence buyers emotionally, in order to maintain their positions in different regions of the global market.

## RESEARCH INTO LUXURY AUTOMOBILES

In the last seven years the research into customer perception and behaviour in the automobile has been driven by American researchers (Haubl, 1996; Iacobucci, *et al.* 1996; McCarthy *et al.*, 1992; Purohit, 1992; Sullivan, 1998; Rosecky and King, 1996). Very few authors and writings have investigated customer perceptions of luxury cars (Rosecky and King, 1996) and much of this work is

focused on consumer loyalty and brand switching ((Iacobucci, et al. 1996; Lapersonne et al., 1995; McCarthy et al., 1992; Purohit, 1992). The major research focus has been on low priced segment car ranges rather than the luxury segment in which choice between brand concept image and individual choice of potential buyers play a great role. Therefore, they have neglected customers' individual differences (especially 'attitudes' and 'specificity') that provide different perceptions towards the automobiles or their marquees, which are important in purchase decision making (Jahoda, 1966; Festinger, 1964; Rosecky and King, 1996; Markin, 1969). These research carry the beliefs that automobiles' customers 'merely' strive for 'product-related attributes' (Keller, 1993), in other words, 'functional, tangible, visible characteristics' (Kapferer,1997), or 'utilitarian needs' (Havlena and Holbrook, 1986; McClelland, 1951). This agrees in line with Lancaster's theory (1966) that demanders buy groups of features rather than products, their opinions regarding the similarity of products must also be determined by features. Research into purchasing patterns, however, indicates that it is not the objective features (tangible or technical attributes) themselves, but rather the subjective perception of these that determines consumer choice (Bauer and Herrmann, 1995; McFadden, 1986; Urban and Hauser; 1980).

There are differences between business-to-business (fleet) buyers and retail (non-fleet or private) car buyers. Business-to-business buyers are professionals and experts in terms of 'functional benefits' (Keller, 1993) of cars bought for employees. Thus, their consumption is 'routine' and 'functional'. This may explain why Table 1 shows that significantly more Lexus GS300 are purchased as fleet cars (company cars) than BMW 728i from 1994 to 1997. While 728i and GS300 have equal insurance cost, GS300's price is lower and it possesses more powerful technical features: a larger engine, higher horse power, quicker acceleration, and higher maximum speed (JATO Carspecs<sup>1</sup>), and therefore is perceived to offer better value for money in the workplace. In contrast, preferences of retail customers for BMW 728i exceed Lexus GS300's and enable 728i to achieve higher sales in total from 1993 to 1997, despite the better offer and technical characteristics of GS300. This is

because retail customers are amateur purchasers who spend their own money for non-routine consumption. Thus, they seek to gain 'experiential' or 'symbolic' (Keller, 1993) benefits from the car brand instead. This demonstrates that there exist differences in specificity among individual customers.

Specificity may depend largely on how buyers discriminate, between 'essential' and 'special need' (Oliver, 1997: 54) in importance: in other words needs and wants. If some buyers regard importance as meaning essential, then all requisite features of the cars, such as maximum speed, acceleration rate, horse power, and engine size become very important. On the other hand, if buyers perceive importance as a special need, then some features may not be anticipated. For example, if the luxury car buyer is only interested in the country-of-origin of the brand (German in this case), then the technical characteristics will be unimportant. When customers seek to purchase a product, they pay attention to whether the product will satisfy basic needs and desires in their lives. Here, the fleet-car customers have the basic needs (to choose a cost-effective car), and desires (to possess a luxury car). The most reasonable choice is Lexus GS300 SE. However, most retail customers have a more preferable attitude towards BMW 728i. When having to select among alternatives, customers are interested in differences across brands in the same product segment and even models.

Most luxury cars hold their marques as a flagship. In other words, the brand's power acts as a significant entry barrier. To enhance the brand's power, most luxury car marques have stretched their brand upward or downward into a 'new' segment. Most marques who usually have strong position of their car models on mid-size and large luxury saloon segments will stretch their brand downward. For example, Mercedes-Benz introduces A-Class, a small family car, and M-Class, a sport utility vehicle following the successful S-Class and E-Class introduction. Rover constantly emphasize their Rover Mini along with their mid-size 800 range. On the other hand, car manufacturers who are not usually perceived to be in the luxury segment will attempt to stretch their

brand upward. The strategy is the diversification into a sub-brand. The most notable examples are the introductions of Lexus under Toyota and Infiniti under Nissan which have been successful globally, especially in the US. At this point, the essential features become unimportant because all brands are perceived to have these features to equivalent degrees. This phenomena insists that signifying product-related attributes alone can only partially explain the sophistication of buying behaviour of luxury automobiles' customers.

### CONSUMER BEHAVIOUR OF LUXURY AUTOMOBILES' CUSTOMERS

Most current owners of luxury cars tend to have purchased a car previously, the customer has potentially developed an attitude toward it. Here, an attitude becomes an evaluating judgement (desire or not desire) based on prior or present experience such as previous satisfaction from dealers or products and services (after sales and warranty), driving experience, and socio-economic status of customers. It is also possible that an attitude can be developed based on prior information without experience, as when consumers develop preferences or biases for or against brands based on the brands' images in the marketplace. This also depends largely on purchasing power of individual customers. Customers may have a favourable attitude towards some manufacturers' luxury cars, but may lack the ability due to insufficient purchasing power or willingness to take buying action. On the other hand, luxury or lower luxury (lower-priced) manufacturers' cars may be neglected by customers who have high purchasing power (or over-purchasing power in this sense). For example, most buyers (with high, medium, or low income) tend to have a preferable attitude towards some manufacturers' luxury cars such as Aston Martin, Bentley, Ferrari, Porsche, and Rolls-Royce, though the majority of them might not even have had a test drive before. The difference is that customers with low to medium income may still also anticipate the quality of smaller sized cars of manufacturers from the lower segments such as Fiat, Ford, Peugeot, and Vauxhall, as these cars are affordable to them. In other words, cars from lower segments have the meaning of 'reality' to them. In contrast, the better-off buyers will only appreciate expensive cars from luxury marques and may disregard inexpensive cars from any marques (even from a luxury one e.g., the least expensive Audi A3 or BMW 3 Series Compact) as their choices. Accordingly, if one is interested in predicting buyer behaviour of luxury automobiles, an assessment of potential buyer attitude towards the car is needed.

To further specify the definition of customer attitude towards luxury cars, a set of attitude variables which potential buyers of luxury cars might hold was developed in discussion with luxury car dealers (Audi, Jaguar, Mercedes, Lexus, and Volvo) at the London Motor Show '97 at Earl's Court Exhibition. The following variables were identified: (1) reliability (2) quality (3) durability (4) safety (5) security (6) performance (7) efficiency (8) technology (9) handling (10) value (11) style (12) comfort (13) prestige (14) status, and (15) visual impact. The first nine variables are in the 'objective' category. The last six variables are in the 'subjective' category.

These different attitudes are directly related to different types of customers because cognition, feelings, and 'response dispositions' of customers are organized into a set of 'patterned emotional reactions' (Markin, 1969). This may be due to differences described as demographic, geographic, psychographic, or lifestyle. Therefore, behaviour moves from personal buyer to different buyers in a given society. Like other products, luxury automobile marketers (manufacturers, companies, dealers) also need to focus on 'who buys' or 'type of customers' to segment their cars. A discussion of the segmentation of the consumers and the luxury automobiles follows.

## HOW CAN LUXURY AUTOMOBILES' CUSTOMERS BE SEGMENTED?

Extensive literature on personality in psychology and other behavioural sciences has persuaded marketing researchers to theorize that personality characteristics should predict brand or store preference and other types of buyer activity (Engel *et al.*, 1995: 437). Evans (cited in Engel *et al.*, 1995: 437) was an early researcher who attempted to predict automobile brand ownership. He undertook this study using 12 objective variables, such as age of car, income, and other demographics, to test the assumption that 'automobile buyers differ in personality structure'.

Although Evans was able to predict correctly a Ford or Chevrolet owner in 70 percent of the cases, he concluded that, 'personality is of relatively little value in predicting automobile brand ownership'. Several other studies confirmed the lack of relationship between personality and product choice (Alpert, 1972; Kassarjian, 1971; Ziegler, 1987). Engel *et al.* (1995) explain that this is due to the fact that personality is "but" one variable in the process of consumer decision making. Even if personality traits were found to be valid predictors, they might not assist market segmentation.

Marketers need to respect the fact that people and society can change over time. In the early 1980s, consumer consumption is somewhat 'conspicuous'. Many firms ignored consumer input or publicly confront consumer group (Evans and Berman, 1987). Consumers were not very knowledgeable about a number of products, especially industrial products such as automobiles of which many brands had not yet become a flagship marque. Thus, they did not know what they expected from the products. In automobile industry, under the jurisdiction of the National Highway Traffic Safety Administration of the US, had a number of motor vehicles recalled. For example: '250,000 1978-1986 Audi 5000s-after shifting gears, sudden acceleration could occur'. (Evans and Berman, 1987; 485).

In the 1990s, it is the era of 'value driven' customers and suppliers. The consumption can no longer be conspicuous. Consumers are exposed to more mass media. Commercial media become sources of useful information on the ever increasing number of products and brands. Personal sources of information diminish in importance. In addition, traditional consumers become more experienced and their ability to distinguish between brands is sharpened. Marketers today need to understand that 'customer satisfaction is about 'attitude'; and customer value is about 'behavior' (Butz and Goodstein, 1996: 64). According to this, VALS<sup>2</sup> has been introduced and also revised (referred to as VALS II). This typology then is a sound pursuit of the consumer behaviour approach suggested by Engel *et al.* (1990, 1995) as discussed in previous section.

VALS typology and luxury automobile customers

VALS typology is divided into four major categories: 'Need-Driven, Outer-Directed, Inner-Directed, and Integrated'. Included in these four categories is a total of nine lifestyles: 'Survivors, Sustainers, Belongers, Emulators, Achievers, I-am-me, Experiential, and Societally-Conscious' (Capelli, 1984; Engel, 1995). As expected, VALS data show that in US: '(1) the need-driven (11% of the population), purchase used cars; (2) the societally-conscience (11% of the population), under Inner-Directed category, purchase more gas savers; (3) Belongers (39% of the population), under the Outer-Directed category, tend toward 'family-sized' cars; (4) Achievers (a lifestyle which constitutes 20% of the population), under the Outer-Directed category, buy more large and luxury cars' (Capelli, 1984: 45).

This data ends support views to an understanding of automobiles' consumer segments. For example, need-driven customers are likely not to purchase brand-new and highly-consumption cars. It also allows marketers to communicate more effectively with core customers and lead to efforts to position new luxury cars in a lifestyle segments, than if the segment were described only by demographics. However, when referring to the term luxury car, there is still some confusion over the concepts of luxury cars and luxury car brands.

### HOW CAN LUXURY AUTOMOBILES BE SEGMENTED?

Brand as luxury automobile segmentation

Goodyear (1996) suggests in the second stage (brand as reference) of her evolution of brand concepts and images<sup>3</sup> that the marketers need the identification and differentiation of their products to reflect the consumer's goal of making a good selection from among competing brands. Since there exist differences in attitudes and specificity, what is a luxury car to some groups may be 'ordinary' to others. Segmenting the luxury cars into physical categories regardless of 'brand association (attributes, benefits, attitudes)' (Keller, 1993) can be very difficult to refer to in luxury sense. This

requires marketers to identify brands to distinguish between them (Hoyer and Brown, 1990). While many brands seem to be qualified as luxury brands (e.g., Audi, Bentley, BMW, Jaguar, Lexus, Mercedes, Porsche, Rolls-Royce) by one third of industrial opinion, only some major brands (e.g., Audi, BMW, Mercedes, Rolls-Royce) are considered luxury brands by the public majority. The luxury cars need to be part of its owner' life. In other words, it needs to provide its owner the 'practicability' both in functional and perceptual point of view. That is why BMW and Mercedes-Benz have dominated the luxury markets globally. Everything is made to facilitate the user's and also highlight the owner's sense of prestige and status wherever it travels. The frequent use of the cars will stimulate the perception of a luxury life the owners gain from their possession. In this respect, Ferrari and Porsche may not be regarded as a luxury car since it is likely not to be driven on most of the working days, but regarded as a prestigious sport brands. Does this mean a luxury car is only an expensive saloon?

Automobile's price and characteristics as luxury automobile segmentation

The Society of Motor Manufacturers and Traders Limited (SMMT) classifies cars into nine segments: mini, supermini, lower medium, upper medium, executive, luxury saloon, specialist sports, dual purpose, and multi purpose vehicle (MPV). Amongst these, one can notice that there is the separate segment namely 'luxury saloon'. However, this may not describe the whole aspects of luxury cars. Most luxury automobile manufacturers do not only produce saloons, but also dual purpose (touring or estate cars), MPV, and specialist sports in terms of passenger cars. In other words, a luxury car brand is a 'multi-segment' (Kapferer, 1995) brand that wants to cover all customer market segments. For example, BMW positions its products on various segments: lower medium (3 Series compact), upper medium (3 Series), executive (5 Series), dual purpose (5 Series touring), luxury saloon (7 Series), and specialist sports (8 Series) range. Thus, a luxury car may refer to an upper medium, executive, dual purpose, luxury saloon, or specialist sport car. These types of cars are the cars the owners may drive to the forecourt at a gala dinner and still highlight the owner's

sense of prestige and status. In this respect, a luxury car is 'not' limited to the 'luxury saloon' segment identified by SMMT. However, luxury cars may 'not' encompass 'all' passenger cars which are produced by prestigious luxury manufacturers.

For example, taking cars from the bottom range of a luxury car manufacturer, BMW 3 Series Compact. Its price starts from £14,670 in the UK. At this price, buyers may purchase cars from other manufacturers such as Ford Mondeo, Fiat Bravo/Brava, and Volkswagen Golf, which provides bigger space and better handling. In fact, BMW 3 Series Compact was only the fifth seller in 1997 from the bottom amongst the main sixteen marketers in UK<sup>4</sup>. In this respect, such prestigious luxury marque as BMW is not effective in this segment because the standard specifications of the cars in the lower segments (upper medium, lower medium, and lower) tend to include equivalent features<sup>5</sup>. This has directed the study to examine the upper prices and discover that cars with price from £34,001 and over, also include special equipment such as high-tech service/maintenance and multi-function information systems, safety, and security (e.g., immobilizers). However, cars with price starting from £65,000 may not be perceived as luxury cars in general but rather as prestigious specialist luxury or specialist sports<sup>6</sup>. This may be explained by the fact that the demands for these cars are very minimal because of their high price range (GB£65,000-£634,500). This price range is unaffordable to the majority of luxury car buyers, and therefore does not enter the practicable meaning of luxury cars (as discussed above).

## THAI AND UK CUSTOMERS' PERCEPTIONS OF LUXURY AUTOMOBILES

What directs the market performances?

For the purpose of a comparative study between Thai and UK luxury automobiles' customer perceptions, comparable demands and supplies need to be drawn. Amongst the new registrations of cars in Thailand and the UK between 1995-1997, their sales performances show that Germany is the main country-of-origin. This accounts for the fact that a large number of German models are

imported in Thailand and UK with a view of the luxury car markets. Audi, BMW, and Mercedes are the top luxury marques in both countries (see Figure 1a-1b). Mercedes cars are more expensive than BMW cars in every segment in both countries, yet BMW is more popular in the UK, while Mercedes is traditionally more popular in Thailand<sup>7</sup>. From an economic point of view, should not better-off customers in one of the richer UK be willing to buy Mercedes rather than customers in a poorer country like Thailand? The outperformance of Mercedes in a smaller and poorer market such as Thailand may be the result of cultural differences such as 'susceptibility to social influence' (Engel *el al.*, 1995).

This type of phenomena is not new. Most published studies on country-of-origin discover that country stereotypes have some impact on product evaluations and purchase decisions (Haubl, 1996, p76). They are found to be influential to specific brands (Chao, 1993; Han and Terpstra, 1988; Tse and Gorn, 1993; Witt and Rao, 1992), to automobiles (Hankinson, 1989; Haubl, 1996; Newman et al., 1995), and to luxury automobiles (Rosecky and King, 1996). Accordingly, customers can place different significance to particular brand images and identities. This then leads to differences in customers' individual differences (specificity, attitude), the decision process (the purchase decision), and service marketing strategy (7 Ps). In this context, emotional elements begin to play a major role in branding. Customers in both countries need to choose among brands, all of which provide functional excellence. Although technology has become a prerequisite in the markets; cultural differences such as social values could explain the luxury car sales positions and customers' different attitudes towards BMW and Mercedes differently. This may be explained by Keller (1993) conceptualization of brand knowledge which has two components: brand awareness and brand image. The first component of brand knowledge is types of brand associations which consists of attributes [non-product-related including: price, packaging, user imagery, usage imagery; productrelated], benefits [functional, experience, symbolic], and attitudes. The other two components are favourability of brand associations and uniqueness of brand associations.

How important are the luxury automobiles' characteristics?

Since the first nine attitude variables (objective) are considered quantitative attributes, they can be assessed by comparing the standard specifications of BMW and Mercedes in terms of: economy (consumption: urban, country, combination), engine (capacity size, kW, horse power), performance (maximum speed, acceleration rate), security, safety, dimensions (interior and exterior), exterior, driver functions, and comfort (as equipment), provided by JATO CarNotes. Price, a non-related attribute, which may represent 'value' is also included. This reveals that, in both Thailand and UK, BMW cars offer lower prices, while having more powerful engine (e.g., more horse and toque power) leading to better performance (higher maximum speed and quicker acceleration rate) and efficiency (lower fuel consumption) than Mercedes in all segments (comparable ranges). Yet such functional characteristics has not enabled BMW to outperform Mercedes in Thailand. In other words, functional benefits may not be used as a strong brand association to persuade the luxury car customers to have preferable attitudes towards BMW brand image. The reason may be that BMW does not provide the favourability of brand associations in terms of user imagery, usage imagery, and symbolic benefits which are the most important requisite for the majority of luxury car customers in Thailand.

Referring to the 15 attitude variables identified in a pilot study of dealers at London Motor Show in 1997, Thai customers seek to obtain the attributes in symbolic sense. Whereas prestige and status are the strength of brand association, some of the rest of the variables may be almost neglected by the customers. For example, performance and handling are almost not necessary for the Thai customers (especially in Bangkok where the majority of luxury car customers in Thailand live), due to the 'environment influences' (Engel *et al.*, 1995). Thailand has some of the world's most congested road networks in and around Bangkok, which accounts for over 10% of the country's population and is one of the most densely crowded cities in the world. Therefore, Thai customers have a lack of

(frequent) experiential benefits of the performance and handling of BMW, even if they are proved to be superior (JATO CarSpecs). Such brand values of BMW as 'quality, technology, exclusivity, and performance' may not be considered as an important brand identity for the customers. At this point, BMW and Mercedes' functional benefits (reliability, quality, durability, safety, security, comfort) are equivalent. Consequently, Thai customers pursue to acquire user imagery and usage imagery to gain symbolic benefits.

How important are the social influences?

'Imagery is a process by which sensory information and experiences from long-term memory are represented in short-term memory' (MacInnis and Linda, 1987 cited in Engel et al., 1995: 489). It is possible that user imagery and usage imagery may be related largely to the social class and status. The symbolic function of possessions can be explained by 'social constructionism' which regards possessions as 'socially shared symbols of identity' (Dittmar, 1992, p68 cited in McEnally and de Chernatony, 1998: 18). All individuals share in a process of transmitting, reproducing, and transforming the social meaning of objects. Thus, consumers receive the meaning of objects, transmitted by others and which they, in turn transmit to others, but they are also transformers of social meanings. The fact that BMW is the favoured brand in the UK and Mercedes is Thailand prestigious choice is then not surprising if one recalls the scenery of Thai Royal family, politicians, and millionaires sitting in Mercedes limousines, and those UK excellencies and billionaires sitting in Rolls-Royce. Enhancing this values, Mercedes' advertising always promote Mercedes as a very expensive, luxury, and prestige car and also reputation for reliability (dependability: in terms of ease of maintenance and repair cost) and durability (BBC Top Gear, 1998). Customers' imageries are then linked to a 'cognitive elaboration mechanism' according to which 'used by' information and would increase the general level of interest in the product under consideration (Hong and Wyer Jr., 1989). They will be regarded as successful persons living a luxury life in the society if they possess such cars.

Nevertheless, there is a small segment of Thai customers who are attracted to BMW in terms of its sportiness (performance, handling, appearance/visual impact) despite the traffic congestion indicating a role for attitudes towards brand image and identity. Although the customers have a lack of frequent opportunities to gain functional and experiential benefits of performance and handling of BMW cars in Thailand, they can still gain these benefits from technology and sporty appearance of the cars. This can be explained by psychometrics (Haubl, 1996: 90) which has proved that foreign (German) production of automobiles is likely to have an impact not only on car buyers' overall evaluation of a vehicle, but also on their perception of specific product attributes, e.g., various technical features or the appearance of the car. UK customers, more fortunate than the Thais, have higher purchasing power and opportunities (full ranges of products and better infrastructures) to more fully experience the functional and experiential benefits from BMW. It is possible to merely metaphorically describe that, at the equivalent degree of enjoyment, 'UK luxury car customers drive the cars' but 'Thai luxury car customers let the cars drive them'. Thai and UK customers may share the same degree of willingness to involve in such a stereotype because they represent different types of customers.

How can VALS explain Thai and UK luxury automobile customers?

Referring to VALS typology, the BMW brand image and personality seem to match two customer lifestyles: under Inner-Directed category; Experiential and Societally. Whereas Mercedes' may be more compatible with Belongers, Emulators, and Achievers under Outer-Directed category. Apparently, Experiential and Societally, the UK majority, seek direct experience thus make a careful decision in favour of product-related attributes which could provide them with both functional and experiential benefits. In this respect, BMW delivers such uniqueness of brand associations (individualistic needs) and has become the 'brand as icon' (Goodyear, 1996) of 'quality, technology, exclusivity, and performance' which self expresses the symbolic properties of 'luxury' in UK society.

In contrast, the majority in Thailand, Belongers, Emulator, and Achievers are more oriented to fame and success and to preserve the status quo. Thus, they seek non-product-related attributes (price, user and usage imagery) to ascribe symbolic benefits in order to display their social position, prestige, and status in Thai society. Only a radically improved or revolution changed product would entice such a conservative segment to alter their purchase intention. In this respect, Mercedes highlights the uniqueness of association in social-material terms and has become the brand as icon of 'luxury, quality, and status' which self expresses the symbolic properties of 'luxury' in Thai society.

#### RECOMMENDATION

Further to the evolution of brand concepts and images suggested by Goodyear (1996), BMW and Mercedes-Benz have both successfully reached the brand as icon stage at the global level. On the demand side, their customers are now far more knowledgeable and marketing literate. Brands are now perceived as part of their life, a representative of needs and wants in customer constellation. Thus, marketers do not intensify their market communication but present only specific communications. Prestigious luxury brands like BMW and Mercedes do not need to expose customers to frequent advertisements. In current practise, the necessary occasions take place only when new models are introduced. Such top luxury car manufacturers are now attempting to level up their brand with the post-modern approach namely 'brand as company' and 'brand as policy'. At this stage, marketers are aware of consumer cynicism and cautious about their actions which could affect customer and public values positively or negatively. For example, BMW's acquisition of Rover in 1992 and proposal to take over Rolls-Royce in 1998 drew public cynicism (Beavis et al., 1994: 14; Guardian, 1998: 22; Done, 1994: 23; Marquardt, 1994: 23; Steinmetz and Mitchener, 1998; Wall Street Journal, 1998: 12). Rover cars are now perceived as of higher quality and BMW have a bigger umbrella. The merger between Mercedes-Benz and Chrysler in 1998 have created a new utopia in US. The controversial failure test of Mercedes A-Class in 1997 has not decreased customer demand for any of their car ranges.

On the supply side, BMW and Mercedes need to reconceive their physical products as products and services (luxury cars, aftersales services and warranty) and reassure their dealers to create, maintain, and create customer values. While all things being equal, it is the era of the service industry at which companies can gain a competitive edge by focusing on customer value-building an actual 'emotional bond' with the customers (Butz and Goodstein, 1996: 63). This will lead the customer to purchase repeatedly, or moreover, to recommend that dealer to friends and family, and to withstand the marketing effectiveness of other manufacturers. Marketers have to bear in mind that, over time, customers may have to change their behaviour even though their initial attitude constellation still remains. Such involuntary changes are compelled by 'situational influences' (Engel et al., 1995; Lapersonne et al., 1995). For example, an older customer who used to own an executive or luxury saloon may now have a family and needs to acquire an estate or sport utility. In such circumstance, he may or may not purchase those types of cars from his favourite brand. The customer will potentially shift back to the stage where he perceives brand as reference (as discussed earlier), giving priority to product-related attributes to acquire functional benefits for his family wellbeing and may see no longer needs to take experiential and symbolic benefits from a specific brand into consideration. For example, Audi may outperform BMW in terms of dual purpose car sales. Japanese manufacturers such as Nissan and Toyota are demonstrating the growing success of their sport utility vehicles (off-road cars) over Land Rover. Lexus and Infiniti may steal BMW and Mercedes (private) customers by this opportunity. All the attitude variables (both quantitative and perceptual) will be interrelated referred as 'relational variables' (Morris and Holman, 1988) and come into play with service loyalty. The manufacturers need to prevent such backward direction because it costs time and money to develop and provide offerings that satisfy new and unfamiliar customer needs, wants, and expectations that ruled by their perceptions (Zeithaml and Bitner, 1996). Satisfaction will then be a major influence on the customer's 'revised' attitude, which is also influenced by the prior attitude (Oliver, 1997). This may be achieved by the effective service

marketing strategies.

#### **CONCLUSION**

The logical extension of this hypothesis is that Mercedes will outsell BMW in countries with the same socio-economic and cultural profile. These countries may be grouped by the markets where BMW and Mercedes are best selling their products (see Figure 2).

The implication for marketing managers is that over time as these countries' economy are developed, their market positions will change. BMW is proposed to reflect individualistic needs in terms of functional and experiential benefits of customers in the rich country such as: the UK, USA, Australia, and Switzerland. These mainly are the rich countries in Europe and America. Potentially, Mercedes' luxury car market positions may be weaken or eventually defeated by BMW in the world car markets such as in Japan, South Africa, and Thailand, if their economies upwardly change and the societies uphold different values towards luxury.

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### **NOTES**

- 1. JATO CarNotes and CARSPECS are PC-based systems which allow analysts to access detailed information about vehicle specifications and the numbers of vehicles sold in various markets, supplied by JATO Dynamics LTD (GB).
- 2. VALS/VALS II is 'a system developed by SRI International for categorizing consumers according to their values and lifestyles. The VALS typology provides comprehensive segmentation of people into nine specific groups. Each group is so distinctive in behavioral make-up that it can constitute a specific market segment. By targeting these groups, the effectiveness of marketing and advertising strategies can be improved' (Capelli, 1984: p46). This typology has been used by car marketers in US such as Chrysler, Ford, GM, Honda, Mercedes-Benz, Mitsubishi, Nissan, Renault, Subaru, Toyota, and Volvo (Engel, 1995).
- 3. Goodyear (1996) describes the evolution of brand concepts and images in terms of six stages. The first four stages of this model represent the 'traditional classic' marketing approach (namely unbranded goods, brand as reference, brand as personality, and brand as icon); the last two stages represent the 'post-modern' approach to branding (namely brand as company and brand as policy) (McEnally and de Chernatony, 1998).
- 4. From highest to lowest selling performer: Ford, Peugeot, Vauxhall, Volkswagen, Rover, Renault, Honda, Mazda, Fiat, Citroen, Audi, BMW, Toyota, Nissan, Alfa Romeo, Mitsubishi (BMW GB, 1998).
- 5. Safety: side-impact bars, airbag (driver/passenger); ABS: Security: deadlocks, central locking, alarm; Comfort: automatic transmission, power steering, split rear seats, electric windows (front/rear), electric mirrors, stereo, CD, sunroof and air condition.
- 6. Cars in these segments are highly expensive saloons top range of well-know marques such as Audi, Bentley, BMW, Ferrari, Lamborghini, McLaren F1, Mercedes, and Porsche.
- 7. In fact, Thailand has been the country where Mercedes-Benz has the largest market share outside Germany (MIRA, 1997: 235).

Figure 1a: UK 1993 - 1997 Passenger Car Registrations by Luxury Marquees

Total Industry Sales in 1997 = 2,170,725 Industry Sales in 1995 = 1,945,366 Total Industry Sales in 1996 = 2,025,450

Total

Total Industry Sales in 1994 = 1,910,933

Total Industry Sales in 1993 = 1,778,426

Make	1997	1996	1995	1994	1993	Market Share (%) 1997	Market Share (%) 1996	Market Share (%) 1995	Marke Share (%) 19
Audi	35,524	30,327	25,555	22,978	19,725	1.64	1.50	1.31	1.20
BMW	63,734	56,840	55,034	45,574	40,921	2.94	2.81	2.83	2.33
Jaguar	9,507	8,401	8,727	6,659	6,224	0.44	0.41	0.45	0.33
Lexus	25,602	23,267	24,670	22,127	12,060	1.18	1.15	1.27	1.10
Mercedes	42,530	35,813	32,694	29,186	21,186	1.96	1.77	1.68	1.52
Porsche	2,333	1,490	1,139	1,300	1,000	0.11	0.07	0.06	0.0
Rolls-Royce	878	638	493	460	362	0.04	0.03	0.03	0.02

Source: 1.BMW (GB) Limited 2.JATO CarSpecs

Table 1 UK Sales Volume of BMW 728 i SE V.S. Lexus GS 300 SE 1993 - 1997

BMW 728 I

num s	(∰34,095/ 2997cc/ 219 kW 220 maximu Insurance Grou				(1936,945/2793cc/193 kW 206 HP/ Acceleration 0-60 km/h: 9.6 seconds/maximum speed: 140 mph) Insurance Group/typical quote: 17/ 1502									
1	1993 1994		1997		1996		1995		1994		1993			
Fleet	Non-	Fleet	Non-	Fleet	Non-	Fleet	Non-	Fleet	Non-	Fleet	Non-	Fleet	Non-	Fleet
	Fleet		Fleet		Fleet		Fleet		Fleet		Fleet		Fleet	
5314	421	3122	509	185	14833	5501	6414	2115	11820	55	2,559	526	4631	391
12	43	694 3,543		,334	20	529	8,5	875	11,	)85	3,0	022	5,0	

Lexus

2. BUYER S GUIDE, WHAT CAR? (June 1998, p126, 220)



