

**A STUDY OF FACTORS INFLUENCING CUSTOMER PURCHASE
INTENTION TOWARDS FOREIGN BRAND AUTOMOBILE IN
MALAYSIA.**

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I/We hereby declare that I/We had read this thesis and in my opinion this thesis is sufficient in terms of scope and qualify for the award Bachelor Technology Management and Technopreneurship

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DECLARATION

“ I hereby declare that the work of this exercise is mine except for the quotations and summarize that have been duly acknowledge ”

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DEDICATION

I dedicate this thesis to my father, Adnan Bin Abdul Rahman. I hope that this thesis achievement will complete the dream that you had for me all those many years ago when you chose to give me the best education you could.

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ABSTRACT

Malaysia confronts a challenge, which is that national cars are declining over time. Malaysians have the impression that imported automobiles are always made to better quality levels. In a highly competitive business environment, the understanding of purchase intention is important towards manufacturers. As a result, automobile manufacturer and assemblers ought to ascertain consumer purchase intention in order to stay ahead in fierce competition and the globalization of the automobile industry. The purpose of this study is to explore Malaysia consumer perceptions with regards to their purchase intention on foreign brand automobile; to identify how functional value, conditional value and social value can effect on purchase intention. Questionnaire was used to collect data from individual consumers in Melaka. Each variable was measured using 5-point Likert-scale. A primary data from the respondents was been analysed by use the Statistical Package for Social Science (SPSS). Demographic data of unit of analysis was tabulated using descriptive analysis while the hypotheses developed was supported empirically using reliability test, Pearson's Correlation Coefficient test and Multiple Linear Regression analysis. The findings illustrated that all variables except conditional value have positive significant relationship with Malaysians' purchase intention towards foreign automobile. This research study fulfilled its purpose by identifying the factors that influence customer purchase intention toward foreign brand automobile in Malaysia. Finally, implications of the findings as well as limitations and future research are discussed.

Keywords: *Purchase Intention, Functional Value, Conditional Value, Social Value, Foreign Brand Automobile*

ABSTRAK

Malaysia menghadapi cabaran, yang mana kereta kebangsaan semakin menurun dari masa ke masa. Rakyat Malaysia mempunyai tanggapan bahawa kereta yang diimport sentiasa dibuat untuk tahap kualiti yang lebih baik. Dalam persekitaran perniagaan yang sangat kompetitif, pemahaman tentang niat pembelian adalah penting kepada pengeluar. Akibatnya, pengilang dan pemasang kereta mestilah memastikan niat pembelian pengguna untuk terus maju dalam persaingan yang sengit dan globalisasi industri automobil. Tujuan kajian ini adalah untuk meneroka persepsi pengguna Malaysia berhubung dengan niat pembelian mereka terhadap kereta jenama asing; untuk mengenal pasti bagaimana nilai berfungsi, nilai bersyarat dan nilai sosial boleh mempengaruhi niat pembelian. Soal selidik digunakan untuk mengumpul data dari pengguna individu di Melaka. Setiap pembolehubah diukur menggunakan skala Likert 5-titik. Data primer daripada responden telah dianalisis menggunakan Pakej Statistik untuk Sains Sosial (SPSS). Data demografi unit analisis diterbitkan menggunakan analisis deskriptif manakala hipotesis yang dibangunkan disokong secara empirik menggunakan ujian kebolehpercayaan, ujian Koefisien korelasi Pearson dan Analisis regresi Pelbagai Linear. Penemuan ini menggambarkan bahawa semua pembolehubah kecuali nilai bersyarat mempunyai hubungan positif yang signifikan dengan niat pembelian rakyat Malaysia terhadap kereta asing. Kajian penyelidikan ini telah memenuhi tujuannya dengan mengenal pasti faktor-faktor yang mempengaruhi niat pembelian pelanggan terhadap kereta jenama asing di Malaysia. Akhirnya, implikasi penemuan serta batasan dan penyelidikan masa depan dibincangkan.

Kata kunci: Niaga Belian, Nilai Fungsional, Nilai Bersyarat, Nilai Sosial, Kereta Jenama Asing

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CHAPTER 1

INTRODUCTION

1.1 Background

In any country, the automobile industry is an essential sector of the country, linking products and services. That is the most important contributor of any booming economy. In many developed countries, automotive output and related sectors have a significant amount of GDP (Prieto & Caemmerer, 2013). In order to be competitive in automobile sector, domestic and international automobile manufacturers are fighting for gain customer interest (Tan Wee Lee and Santhi Govindan, 2014). However, consumers make their own decisions and assumptions on the rationale for their own choices and demands. The issue raised by retailers and manufactures is to recognize the favourable factors for such distribution systems (Momeni & Nazemi, 2010).

According to the MAA (Malaysian Automotive Manufacturers, 2008), the total production and assembled of the passenger cars at year 2016 were 503,691. While in 2017, MAA total production is 459,558 and increase at 522,392 in 2018. It is therefore clear that the total output and assembly of cars has rising over these three years. These figures include only passenger vehicles. Other categories of cars, such as trucks, buses, vans and jeeps (4 x 4) and agricultural tractors also showed a

dramatic increase in purchases and manufacturing figures (MAA, 2008). Therefore it is apparent that overall highways have been flooded with automobiles.

In recent years, consumer's preferences of purchasing a car have changed. Customers seem want to buy foreign automobiles instead of domestically produced automobiles that have impacted a regional automotive sector. According to Sadiq & Gokhan (2010), it is because of different cultures, consumer attitudes and consumers tastes which vary from country to country. People currently get much options and possibilities than ever before to buy cars. The Star Online (2013) reported that the price that just a little bit different between local and imported car make a consumer can afford to purchase it even got a different specification in each cars Malaysians find that imported cars are becoming affordable for middle-class citizens in particular and there are many reasons behind that.

According to Ghani (2012), the researcher discovered that foreign manufacturers (e.g. Honda and Toyota) earned higher acceptance from Malaysia, resulting in an increase in the exports and market shares of foreign brands. That's because foreign brands are more favoured by customers because they are often synonymous with power, reputation and prestige (Pappu, Quester & Cooksey, 2007). Meanwhile, the inability in international competition, minimal involvement in the foreign market and out-of-date technology has influenced the sales and market share of Malaysia's automotive sector. (Wad & Govindaraju, 2011).

This research study is being carried out in order to obtain a basis for determining the factors that have an impact on the consumer's purchase intention towards a luxury car brand. It also provides guidance to Malaysian national car manufacturers on the real customer preferences and the variables which have an affect on the decision making process. In addition, Malaysia automotive companies will gain a better understanding of customer experience and make the required changes to meet customer expectations to sustain a long-term relationship. Malaysia's domestic automotive sector can also create better plans to maintain a competitive marketplace in the future through this research.

1.2 Problem Statement

In our daily lives, automobiles play a pivotal role, making them a subject of interest in many academic fields. Previous studies reported that the most important factor influencing consumers' decision-making when buying a car was a reputation or brand (Borsekhan and Velayutham, 2008). Consumers are influenced and make purchase decisions by word of mouth communications (Altaf, Syed Naveed; Perumal, Selvan; Hussin, & Zolkifli, 2017). As such, findings from past studies give useful information to managers in automotive industry to improve their future marketing plans.

The industry needs to update its products and services from time to time to meet the needs and expectations of consumers in order to remain competitive. However, current situation in Malaysia shows that the industry is facing intense competition from foreign brands that would threaten national car brands sales and performance; i.e Proton and Perodua. Seng and Husin (2015) reported that two national car brands market shares have declined over the past few years. Hence it is very necessary to look for variables that have an effect on customer purchase decisions in the Malaysian market. Yee and San (2010) also added that competition is increasing in the Malaysian car market and therefore it is essential for automobile manufacturers should recognize the perspectives of users in order to increase their market share. The authors recommended searching for key factors that could influence an automobile's buying decision for customers.

The Malaysian Automotive Association (2015) also reported that foreign brands are aggressive with their competitive priced vehicles which enter the local market. Mashahadi and Mohayidin (2015) indicated that Malaysian consumers prefer to buy imported cars. The authors said that the sales of imported cars increased since 2000, despite the government's support for national car brands and even before AFTA was implemented. According to Chin's report (2016), Malaysia's national car brands fell in sales in 2016 in which Perodua's sales decreased by 15.5 %, and Proton's sales decreased by 19.1 %, while the majority of foreign car market shares

have raised (Yap, 2018). Nezakati, Kok and Asgari (2011) pointed out that Malaysians prefer to buy foreign cars, while Malaysia produces domestic cars because foreign products are often designed to better quality standards when it comes of interior design, engine performance and are more technically advanced.

Even though many previous research have applied Theory of Consumption Value (TCV), these studies are focused primarily on green consumer needs for green goods that can lead to improved performance Those topics have been the subject to many studies (Minton & Rose, 1997; Kim & Choi, 2005; Akehurst, Afonso & Goncalves, 2012; Lin & Huang, 2012). Statistical purchase intention (PI) findings for international automobiles in Malaysia are minimal and scarce. There are some reports on car buying behaviour, but most of them concentrate on hybrid cars. For example, Ang, Chong, Seah, Soo and Tan (2017) was studied the Malaysian PI for a hybrid car by using TCV instead of a foreign car Almost all of the study conducted in Malaysia have concentrated on the PI of motorcycles rather than automobiles (Choy, Ng & Ch'ng, 2010). The research in Melaka will therefore be carried out by researchers to understand the factors affecting customers ' desire to purchase multinational automobiles.

Therefore, as the decision making process in Malaysia is not well understood, this study intends to examine the gaps and issues mentioned above. Often it is assumed that price is the leading determinant of automobile purchasing decisions, but the process is considered more complex than relying on a single criterion of decision.

1.3 Research Questions

The main purpose of this research is to analyse significant factors that will affect the willingness of the customer to purchase imported brand automobile. Therefore, research questions to be defined in the research as below:

- 1) What is the relationship between functional value and customer purchase intention towards foreign brand car?
- 2) What is the relationship between conditional value and customer purchase intention towards foreign brand car?
- 3) What is the relationship between social value and customer purchase intention towards foreign brand car?
- 4) What is the most significant factor that influences customer purchase intention towards foreign brand car?

1.4 Research Objective

This study is to investigate factor that affect the customer decision to acquire imported car. Thus, from the research question, research objective mainly focus on the following objective:

- 1) To identify the relationship between functional value and customer purchase intention towards foreign brand car.
- 2) To identify the relationship between conditional value and customer purchase intention towards foreign brand car.
- 3) To identify the relationship between social value and customer purchase intention towards foreign brand car.
- 4) To identify the most significant factor that influences customer purchase intention towards foreign brand car.

1.5 Scope of Study

The scope of the study is to identify factors that affect the decision of the customer to buy imported brand automobile. The researcher has chosen the resident in area of Melaka. From the objectives obtained, researcher needs to determine the factor(s) that the most influence the consumer intention to purchase foreign brand car. To achieve the purpose and objectives for this study, the scope of research is to examine many variables which have an impact on the purchasing intention of the consumer.

1.6 Significant of Study

The academic importance of this study explores a significant aspect of the customer's perspective on behavioural users and this study will also examine the factors affecting the purchase of the intentions and the possible issue of the purchase of passenger cars. With this study, this study is not only to identify which variability has a stronger effect on customers purchase intention on car purchases but also to show accurate evidence of the relationship between customer intention and car purchases.

Additionally, the practical importance of this study will benefit the automobile industry as this study enhances knowledge of consumers purchasing intent on purchasing car imports in Malaysia. This research potentially provides information to the government, automobile manufactures or automobile companies to make decisions on new product development. Certainly, research findings provide guidelines for imported car manufacturers to benchmark the development products as well as the quality of services to benefit from word of mouth. This study contributes to automobile companies as a proxy measure for Malaysia's purchase intention.

Thus, an understanding of consumer buying behaviour is a necessity because of the habit of buying rapid changes with the latest rapid technological rates. The purpose of this study is to investigate how customer purchase intention will influence the final purchase decision of the foreign brand car.

1.7 Limitation of Study

In conducting this research, the researcher faces a limitation. The researcher assumes that the respondents are provided honest answer which can help researcher with the real information. Since the researcher lack of experience in conducting the research, the information or data are quite difficult to collect. Besides that, time constraint also is the one factor that faces by researcher. A lack of time make the researcher cannot gather too much information as possible from respondent and it quite difficult to analyse the customer intention.

1.8 Summary

In this chapter it starts with a short introduction and background of topics interest. Objective research and study questions are the key contents of this section. In addition, this chapter also sets out the scope of the study. A chapter will be end with the significance of research on the relevance of this study to automotive companies.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews of literature on major focus of the research. This research focus on buying intention towards car imports. In this section, we will see previous studies, books, and journals discussed the intention of buying and importing cars. Three factors followed by suggested hypothesis for each factors is well explained and discussed in this chapter. In addition, this chapter also covers theoretical framework for the research. This theoretical framework is developed in contexts of the information gathered from secondary data, including a book and a journal, regarding the current intention of the consumer.

2.2 Purchase Intention

In recent years, several research studies in both developing and developed countries have already been monitored to analyze and evaluate the purchase intentions of automobile customers. Purchase intention is the preference of consumer to buy the product or service. In another words, purchase intention has another aspect that the consumer will purchase a product after evaluation (Younus, Rasheed and

Zia, 2015). Purchasing decision from customers is a complex process. Intention to purchase is usually related to consumer behaviour, perceptions and attitudes.

According to Ajzen (1991), the intention is characterized as the amount of mindfulness of the work that an individual undertakes to acknowledge his or her actions, seen as one of the motivational mechanisms of behaviour. More often than not, buying intentions of consumers are strongly influenced by word-of-mouth (Kenyon and Sen, 2012), regardless of whether the word-of-mouth is positive or negative. According to Horn and Salvendy (2006), consumer will search for a product for them to make a purchase decision. If a consumer wants to buy a product, they tend to select a product that is sustainable, even if it costly, as they assume it will last longer and require less maintenance (Wu and Jang, 2013).

Price sensitivity builds on the premise of whether or not buyers are willing to pay for a product by comparing the benefits they earn in return for money (Gerald and Woodside, 2009). According to Creusen and Schoorman (2005), what attracts consumers in the first place would be the looks and design of the product. Since all products from the same category often look similar, it is the appearance that consumers will judge in making their purchase decisions. Even though the consumer may not have enough information on a particular product, the country of origin of the product gives the consumer the information of the country, judging it from whence it came, rather than the product itself (Rezvani, Dehkordi, Rahman, Fouladivanda and Eghtebasi, 2012).

2.3 Factors

2.3.1 Functional Value

Functional value is characterized as the benefits which customers derive from either the structural, practical or usability efficiency of a product. (Sheth, Newman, & Gross, 1991). The design of the product encompasses a number of different practical considerations such as effectiveness, ease of use, reliability, sturdiness, durability, safety, need for maintenance, and multifunction (Kumar & Noble, 2016). While, according to Xiao & Kim (2009), the benefits associated to a consistency, durability, soundness and cost of the item are assumed to be functional value. In the past research, it was considered among the most characteristics that consumers see if they tend to buy a car. (Nezakati et. al., 2011; Lee & Govindan, 2014; Wen & Noor, 2015; Abdullah & Wang, 2016). On the other hand, functional value of product's quality and product functions has positive impact on customer satisfaction (Demirgunes, 2015).

Several previous studies have concluded that functional value has the greatest impact on customer satisfaction and intention in the automotive industry (Jahanshahi et. al., 2011; Orose & Boonchai, 2012; Hur et. al., 2013; Zaw & Chaipoopirutana, 2014; Moosa & Hassan, 2015). In addition to reliability and durability frequently referred to as quality of product, some scholars assumed that the price attribute was part of the practical value of the product. (Sheth et al., 1991b). The majority of previous researchers also concluded that market value was recognized as a main value of functionality. (Wang, Liao, & Yang, 2013). Nevertheless, Sweeney and Soutar (2001) proposed that cost characteristics should be distinguished from all other attributes, such as efficiency in the calculation of perceived functional value, because prices and value have a different effect on perceived value. Therefore, they propose that price and quality are sub-factors of functional importance.

H1: There is significant relationship between functional value and consumer purchase intention.