

# FACTORS INFLUENCING PURCHASING DECISION TOWARD LUXURY VEHICLES: THE CASE STUDY OF PORSCHE CARS IN BANGKOK, THAILAND

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**Abstract:** *This research examines consumer purchase behavior and intentions toward luxury vehicles in Thailand, using Porsche as a case study. Luxury vehicle purchases are growing in Thailand, even though automobile purchases in general have been stagnant. This suggests that certain consumer needs are being met by the purchase. The research was conducted as a consumer survey of Porsche owners in Bangkok (n = 400). Findings revealed that buyers were likely to be male, high income (BHT1 million/month+), highly educated and older. Older consumers, consumers with income of BHT1m to BHT5m, and Master degree holders had significantly higher purchase intentions. The study also revealed that information search, social factors, and psychological factors had a significant positive influence on the consumer purchase decision. This study implies that consumer wealth and psychological and social needs, rather than the product itself, drives luxury automobile consumption choices.*

**Keywords:** *Consumer decision-making, luxury purchases, brand image*

## Introduction

This research examines luxury automobile consumer decisions in Thailand. Just 51% of Thai households owns an automobile, although 68% of consumers have a purchasing intention for new vehicles (PWC, 2015). However, actual sales have fallen 33.7% between 2013 and 2014 (PWC, 2015). Total annual vehicle sales equally 880,000 in 2014 (PWC, 2015). Luxury car sales have been the exception, with an expected increase of up to 12% in 2015, bringing total luxury car sales to 7,000, according to PWC (2015). In response to this growing demand, many luxury carmakers, including Rolls Royce, BMW, and Porsche, have established dealerships and market presences in Thailand, mainly in Bangkok (PWC, 2015). However, there has been little academic research into consumer decisions for luxury automobiles,

either in Bangkok, Thailand or generally in the ASEAN region. The aim of this study is to investigate the factors in consumer purchase decisions toward luxury cars, using German luxury sports car manufacturer Porsche as a case study. The objectives of the study include examining consumer buying behavior, examining the influence of demographics on the purchase decision, and to explore various factors in the consumer purchase decision.

## Literature Review

### Consumer buying behavior for luxury vehicles

Automobile purchases are high-involvement purchases, meaning that they demand high commitment of cognitive and financial resources from consumers and have social, financial and other implications (Prieto & Caemmerer, 2013). Luxury products, especially highly visible products like fashion or automobiles, have implications for the social status of their purchasers, as they make a statement both

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about access to wealth and about personality and other factors (Amatulli & Guido, 2011). Luxury automobile purchases are frequently associated with conspicuous consumption, or the practice of buying expensive products to demonstrate material wealth (Fionda & Moore, 2009). Recently, however, luxury brands have become more democratized, with lower (though still absolutely high) prices and higher availability enabling what one author terms inconspicuous consumption and others term aspirational consumption (Eckhardt, Belt, & Wilson, 2015; Manning, 2010). This aspirational consumption enables consumers to access the social benefits of the luxury brand while reducing costs, although some brands have remained expensive and therefore are more highly valuable to signify social status (Manning, 2010). However, this consumption motivation does not influence all consumers equally.

### **Demographic influence**

A study of household car purchases in France found that personal characteristics, including gender, age, education, and household wealth, influenced consumer purchase decisions for car type and whether they buy used or new cars (Prieto & Caemmerer, 2013). Many of these demographic factors are self-evident; for example, the price of luxury automobiles means that most consumers have relatively high income (Michman & Mazze, 2006). Higher income consumers are typically older and more highly educated than lower income consumers (Michman & Mazze, 2006). Older consumers may also have more interest in exclusivity than younger consumers, which means that even when incomes are equal older consumers may be more likely to purchase luxury goods (Dubois, Czellar, & Laurent, 2005). Middle-aged consumers, who have relatively low spending obligations (such as young children)

combined with relatively high incomes, may be most likely to engage in status-based consumption such as luxury car purchase (Shukla, 2008). Finally, male consumers may be more likely to have knowledge about luxury cars and an affective affiliation to a given brand (belonging to a luxury-car consumer 'tribe') (Loureiro, Kaufmann, & Wright, 2016). Loureiro, et al. (2016) found that male consumers were significantly overrepresented in their study of online luxury car groups, representing 82.4% of total participants. Thus, demographics like gender, age, education, and income could influence the choice of a luxury vehicle. Based on this evidence, the first four hypotheses are stated as:

Hypothesis 1: Male consumers are more likely to purchase Porsche vehicles.

Hypothesis 2: Older consumers are more likely to purchase Porsche vehicles.

Hypothesis 3: Wealthier consumers are more likely to purchase Porsche vehicles.

Hypothesis 4: More highly educated consumers are more likely to purchase Porsche vehicles.

### **Factors in purchase decision**

Product and consumer search factors that could influence the purchase decisions for luxury vehicles, including information search, product price, brand image, and perceived quality and performance. Information search for products like luxury vehicles need to include both the functional properties of the vehicle and the social status representation of the brand (Chen, Fay, & Wang, 2011). Given that the consumer decision is a high-involvement decision, it is likely that consumers that engage in more information search will be more likely to make a purchase decision (Moorthy, Ratchford, & Talukdar, 1997). Price is also likely to be a factor, given the high price and exclusivity of luxury brands (Fionda & Moore, 2009). A study in France showed that price could

influence the purchase decision for a given brand of automobile (Prieto & Caemmerer, 2013). However, brand image perceptions are also important.

A study of Indonesian luxury car buyers showed that consumers were largely driven by brand perceptions and brand image, including perceptions of conspicuous consumption value, uniqueness value, social value, and hedonic value (Sari & Kusuma, 2014). This implies that consumers were driven by performance quality (Sari & Kusuma, 2014). A study in Thailand provides further support for the importance of quality, performance, price and information search (Anurit, Newman, & Chansarkar, 1998). This study compared UK and Thai consumers. It found that price and quality and performance characteristics were important in the purchase decision, although brand image may be more important (Anurit, et al., 1998). Another study of consumer purchase of luxury brands confirmed the importance of brand image, including functional image (quality and performance) (Hung, Chen, Peng, Hackley, & Chou, 2011). This evidence allows us to state a further set of four hypotheses for product-related factors (information search, price, brand image, and quality and performance):

Hypothesis 5: Information search influences the purchase decision for Porsche cars.

Hypothesis 6: Price influences the purchase decision for Porsche cars.

Hypothesis 7: Brand image influences the purchase decision for Porsche cars.

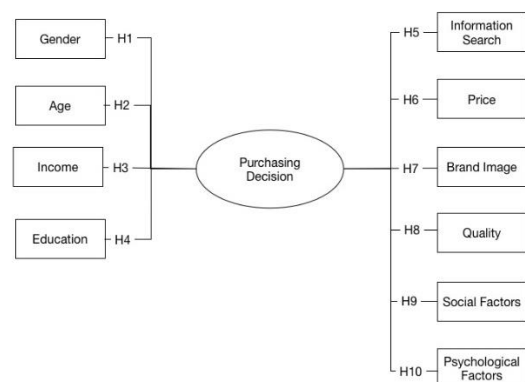
Hypothesis 8: Quality and performance influences the purchase decision for Porsche cars.

Consumers are also driven by social and psychological factors to purchase luxury goods (Amatulli & Guido, 2011). The social motivation for luxury goods such as vehicles typically includes aspiration or expression of a certain social

status (Eckhardt, et al., 2015; Manning, 2011). Consumer psychological needs for self-confidence and self-fulfillment underlie the choice of luxury fashion goods, although consumers are more likely to express social factors such as social status concerns (Amatulli & Guido, 2011). These values incorporate social value (or the product's implication for the consumer's social status) and hedonic value (or the consumer's enjoyment of the product) (Sari & Kusuma, 2014). A study of Chinese consumers confirmed that consumer vanity included the consumer purchase decision for luxury brands (Hung, et al., 2011). Some other psychological factors that could influence the consumer purchase decision for luxury goods include the desire for respect and popularity; indicating success, wealth, prestige, status, or achievement; expression of self-identity; and enhancing one's self-image (Shukla, 2008). Based on these studies, the final two hypotheses include:

Hypothesis 9: Social factors influence the purchase decision for Porsche cars.

Hypothesis 10: Psychological factors influence the purchase decision for Porsche cars.



**Figure 1 Conceptual framework**

**Data collection and analysis**

The research consisted of a quantitative survey of Porsche owners. The survey was constructed using categorical and five-

point Likert scale items. The population of interest was registered owners of Porsche cars in the Bangkok area (2009-2013). A total of 2,550 Porsche cars were registered in Thailand during this period. Data was collected using convenience sampling. Participants gained through distribution of surveys at motor shows, racing and test drive events, and through customer emails distributed through Porsche Thailand CRM channels (n = 400). Data was analyzed in SPSS. Descriptive statistics were prepared for all variables. All hypotheses developed are null hypotheses. Independent samples t-tests and one-way ANOVA was used to test differences in means (H1 through H4). Multiple linear regression was used to test factors in the purchase decision (H5 through H10).

## Results and Discussion

### Demographic information and purchase information

According to the demographic information (Table 1), the majority of buyers were male (69.8%), which is consistent with Loureiro, et al.'s (2016) findings. Most participants were aged 31 and over (86%), and most had at least a Master degree (54.8%). All participants had a monthly income of at least 1 million baht/month, and most had incomes above 5 million baht/month (93.5%). This is consistent with the general demographic profile of luxury buyers as older, wealthier and more highly educated (Michman & Mazze, 2006). Most consumers in the study owned a new Cayenne (44%), Macan (36%) or Panamera (11%).

	Number (n=400)	Percentage
Gender		
Male	279	69.8
Female	121	30.2
Age		
Below 20	4	1
21-30	52	13

31-40	108	27
41-50	154	38.5
51 or above	82	20.5
Education level		
High school or less	32	8
Bachelor Degree	149	37.2
Master degree	212	53
Ph.D.	7	1.8
Household monthly income		
Less than 50,000 THB	-	-
50,000-100,000 THB	-	-
100,001-500,000 THB	-	-
500,001-1,000,000 THB	-	-
1,000,001-5,000,000 THB	26	6.5
Above 5,000,000 THB	374	93.5

**Table 1 Demographic information**

### Effects of demographics on purchase intention (H1 through H4)

The t-test results for decision-making by gender (t = -1.859, p = 0.064) indicated that the difference in consumer decision-making between genders was not significant, with a mean difference of 0.13 points between male and female consumers. H1 was not accepted. This is inconsistent with the findings of Loureiro, et al., (2016), who indicated a higher level of interest and participation in male consumers. However, it is possible that online interest does not reflect actual consumer intentions, particularly among

older consumers in Thailand who may be less likely to use the Internet.

The one-way ANOVA test for decision-making by age did show a significant mean difference ( $F = 16.739$ ,  $p = 0.000$ ). Post-hoc analysis using LSD showed that the oldest group (51 years and above) had a significantly higher mean decision-making score than any group other than 20 and under years. However, given that there were only four members of the sample aged 20 or younger, this result could be skewed by the small sub-sample size. H2 was accepted. This is consistent with many other studies of luxury consumption, which generally show that older consumers are more likely to buy luxury goods (Dubois, et al., 2005; Michman & Mazze, 2006; Prieto & Caemmerer, 2013).

The t-test results for decision-making score by income groups was significant ( $t = 7.17$ ,  $p = 0.000$ ), with consumers with income of 1 million to 5 million baht/month having a higher mean decision making score ( $M = 4.15$ ) than those with 5 million and above ( $M = 3.26$ ). H3 was accepted. This is somewhat inconsistent with the literature, which suggests that higher income consumers may be more likely to buy luxury products (Michman & Mazze, 2006). However, it should be noted that both income groups are very high by Thai standards. Since differences in very high net worth consumer groups are poorly studied, understanding these differences is difficult.

The one-way ANOVA for decision-making mean by education level did show a significant difference ( $F = 4.777$ ,  $p = 0.003$ ). However, difference were relatively minor, with consumers with Master degrees having significantly higher decision making scores than those with Bachelor degrees (mean difference = 0.257). H4 was accepted. This finding was also consistent with expected findings (Michman & Mazze, 2006).

### **Factors in purchase intention (H5 through H10)**

The regression model was highly predictive, with goodness of fit indicator demonstrating that the factors of information search, price, brand image, quality, social factors, and psychological factors predicted 88.6% of variance in decision making (adj.  $r^2 = 0.886$ ) (Table 2). However, the t-tests for coefficients showed that only information search, social factors, and psychological factors were significant predictors, while price, quality and brand image were not significant. Thus, H5, H9 and H10 are failed to reject, while H6, H7 and H8 are not accepted. The role of information search is probably related to the high-involvement nature of the purchase which would lead consumers to try to reduce risk by increasing the amount of information they seek out (Chen, et al., 2011; Moorthy, et al., 1997). The role of social and psychological factors is also strongly supported by the literature, which has repeatedly found that these factors influence the consumer decision for luxury goods (Amatulli & Guido, 2011; Chen, et al., 2011; Eckhardt, et al., 2015; Hung, et al., 2011; Manning, 2010; Sari & Kusuma, 2014; Shukla, 2008). The lack of importance of price is surprising, given its role in other studies (Prieto & Caemmerer, 2013). However, this could be explained because of the participant's very high incomes, which could reduce price sensitivity. The lack of importance of brand image and quality was surprising, given that it had been found frequently (Anurit, et al., 1998; Fionda & Moore, 2009; Hung, et al., 2011; Sari & Kusuma, 2014). The reason for this is uncertain, although previous studies in ASEAN have shown that consumers place less value on brand image than other factors (Sari & Kusuma, 2014).

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Si g.
.942 <sup>a</sup>	.888	.886	.21810	520.007	.000 <sup>b</sup>
	B	Std. Error	Beta	t	Si g.
(Constant)	.437	.097		4.528	.000
Price	.021	.018	.023	1.168	.244
Quality	.030	.019	.037	1.571	.117
Social factor	.169	.017	.261	9.716	.000
Psychological Factors	.435	.043	.515	10.132	.000
Brand Image	-.021	.017	-.025	-1.250	.212
Information search	.188	.046	.215	4.122	.000

**Table 2 Summary of regression outcomes**

### Conclusion and Recommendations

This study has examined the factors in consumer decision making for luxury automobiles in Bangkok, using Porsche as a case study. The study found that consumers did have a strong demographic profile, being male, older, higher income and higher education. Age, income and education level also made a significant difference in the decision making process. The study also identified three factors that influenced the purchase decision, including information search, social factors, and psychological factors, although price, brand image, and product quality were not significant factors. These findings show

that the purchase of a luxury automobile does have implications for the perceived social status of the purchaser, and that certain psychological needs are met by the purchase. It also shows that the purchase of a luxury automobile does require extensive information search. Marketers of luxury automobiles can use these insights to understand how and why consumers purchase their vehicles. There are still questions about consumer behavior relating to luxury automobiles in Thailand and elsewhere, which stem from the general paucity of research into luxury automobile consumption. Thus, there are more opportunities for research to address these purchases. Some recommendations for such studies include a focus on the perceived brand image and brand values of luxury automobiles and a broad study of internal psychological perceptions about luxury automobiles and how these perceptions influence the consumer purchase intention. Cross-cultural comparisons could also be useful to develop a better understanding of how these factors vary across cultures.

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