Enhancing Promotional Strategies within Automotive Companies in Malaysia

Nor Amira Mohd Ali, Muhammad Hanif Abdul Gafar, Jamaludin Akbar

Faculty Of Business Management, Universiti Teknologi MARA, Merbok, 08400 Kedah Malaysia

Abstract

Rapid growth of the economy and high purchasing power of its population have made Malaysia the largest passenger car market in ASEAN. With a ratio of 200 cars for every one thousand people, Malaysia ranks among the top countries with high car ownership ratio in the region. Toyota, Honda, KIA, BMW, Mercedes Benz, Volvo are some of the global automotive companies which have set up operations in Malaysia to take advantage of the buoyant consumer demand. Thus, the automotive companies in Malaysia have spent huge amount of money for promotional strategies in order to maintain their sales. To date, the companies have introduced various strategies such as ‘promotional mixed’ which are advertising, internet marketing, personal selling and public relation/publicity in accordance to changes in the consumers’ socio-economy, technology, and competition aspects. Nevertheless, the success of these strategies is vague. Therefore, this study aims to identify which promotional strategies have reached the consumer most and to determine to what extent these promotional strategies influence the consumers. Our model of study is based on AIDA concept and this model proposed that consumers respond to marketing messages in a cognitive (thinking), affective (feeling), and conative (doing) sequence. In addition, the population of the study is the consumers who purchase car in Malaysia. We strongly believe that the study will help the automotive companies in Malaysia to understand the so called “new” market and prepare them to be more competitive via promotional strategies.

© 2013 The Authors. Published by Elsevier B.V. Open access under CC BY-NC-ND license.
Selection and peer-review under responsibility of ICEBR 2013

Keywords: Promotional Strategies, Automotive Industry, AIDA Concept;

1. Introduction

Centrally located in the ASEAN region with a high population, Malaysia offers vast opportunities for global automotive manufacturers to set up manufacturing and distribution operations centre in the country. In line...
with the pragmatic government policies, political and economic stability, sound economic fundamentals, well-developed infrastructural facilities and an educated and skilled labor force, Malaysia has attracted major international automotive manufacturers to invest in Malaysia. With more than 10 global automotive companies in Malaysia, the companies need to struggle and enhance their promotional strategies in competing with their competitors to directly influence the buying decision among consumers. According to Carnes, 2010, the objectives of product promotion are to increase sales, attract customers, improve product recognition and enhance brand identity. Regardless of the company’s product or service, a strong set of promotional strategies can help position the company in a favorable light with not only current customers but new ones as well (Carl Hose, 2012).

2. Problem Statement

In order to ensure that a company’s promotional strategies is accepted and well received by people, the automotive companies must first have a strong way of communication because good communication skills and effective promotion is a weapon for every company to lead in the industry. This has been defined as the passing of information, the exchange of ideas or the process of establishing a commonness or oneness between a sender and receiver (Belch & Belch, 2001). This definition suggests that for communication to occur, there must be some common thinking between two parties and information that must be passed from one person to another. In specific words, when the message was encoded and passed by a sender using the right channel and when it was received by a receiver who decoded and interpreted it correctly, then we can claim that the communication was successful. Thus, when the automotive companies have made their promotional strategies they must focus on their target market and use the right channel in order to ensure their target market is aware of the promotion for their products and will accept as well as buy their products.

Besides that, as mentioned earlier promotion always becomes one of the major indicators for the success of any business organization. It is the most important factor for any company to determine in order to devise their strategy towards better performance in sales. Generally, business in the automotive industry is more competitive year after year. The study of people (consumers) buying decision towards promotional strategies is very crucial for automotive companies in order to use the feedback to get better car sales.

Furthermore, the automotive companies in Malaysia should be serious and aware with the high competition and unique strategies within the industry to ensure that their company continues to improve their promotional strategies. The reason is, good promotion strategies will get good response and all promotional activities organized by the company were done to increase sales and indirectly to get more profit for the company. In addition, these promotional strategies also measure how strong it influences the buying decision among consumers and to find out whether the promotional strategies implemented (advertising, internet marketing, public relation and personal selling) are well accepted. Due to this, several objectives have been developed and tested:

i. To identify which promotional strategies have reached the consumers most.

ii. To determine to what extent these promotional strategies influence the consumers.
3. Literature Review

3.1 Promotional Strategies and Consumer's Purchase Decision

Promotion has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea (Belch and Belch, 2001). As we already know, promotion is crucial in new product launch because it helps to attract the customer's attention towards the new product in a market cluttered with similar products and indirectly it will influence the consumer in the purchase decision. (Mittal, 1989) defines purchase decision as “the extent of interest and concern that a consumer brings to bear on a purchase decision task”. As promotion strategies play a role in creating the perception of the product in the market, the promotion strategy employed by the innovator would impact the positioning of an innovation in the “consumer mind space” (Lee et al., 2003). This is because according to Hoyer & MacInnis, 2004, consumer's value and beliefs need to be considered when examining the influences that affect purchase decisions. In addition, there are different types of promotional strategies done by various companies. According to Shih and Huddleston, 2007, there was a positive and significant relationship between attractiveness and trustworthiness of the sports celebrities and customers’ purchase intention for fair-trade coffee. However, a “buy one get one free cup coupon” stimulated higher purchase intention than sports celebrities, flyers, and packaging. On the other hand, in the research of children's foods commercials Page and Brewster, 2007, found that the most frequently used promotional strategies were the use of jingles/slogans, showing children with the food, and the use of product identification characters. The use of animation, “real children,” and animal characters are the most used attention elements in the commercials. Thus, different types of promotional strategies such as advertising, internet marketing, public relation and personal selling will influence the rate of increase in market demand and is product category dependent which contribute to consumer's purchase decision.

Advertising is defined as any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor (Belch and Belch, 2001). While Kotler and Armstrong, 2004, devised an interesting concept of advertising whereby advertising can reach masses of geographically dispersed buyer at a low cost per exposure, it enables the sellers to repeat a message many times. Besides that, according to Lee et al., 2003, total advertising expenditures have positive impact on the market entry studies. Thus the impetus for focusing on the method of launching or the “how” dimension, especially, regarding marketing communications becomes important. From this discussion, we can say that the primary objective of advertising is to reach prospective customers and influence their awareness, attitudes and buying behaviour. When the consumers are aware about the advertisement of some products from the business organization and they are attracted with the advertising concept that they have seen, it will lead them to know more about the product and lastly it will convince them to the purchase decision. As one of the promotional strategy, advertising provides a major tool in creating product awareness and controls the mind of a potential consumer to take final purchase decision.

Furthermore, visiting web sites appears to increase aided recall for brands seen on the internet and to improve consumer's views of the brand. Consumers who felt that web sites improved their perceptions of brand saw more advantages in web advertising, but they perceived more disadvantages as well (Goldsmith and Lafferty, 2002). According to Belch and Belch, 2001, internet marketing or interactive media includes CD-ROMs, kiosks, and interactive television. But the interactive medium that brings the greatest impact on marketing is the component known as the World Wide Web. This is because, the advancement in technology especially the internet has made most people sitting in front of their personal computers or laptops to search anything they want to buy with one click. As we know, internet marketing is a form of promotion in which products, services, organizations, ideas are promoted via the medium of internet. Thus, the business
organizations have taken this opportunity to meet their customer twenty four hours, seven days a week which indirectly will encourage the people (consumers) to make a purchase decision.

On the other hand, public relations refer to the management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest, and executes a program of action (and communication) to earn public understanding and acceptance (George and Michael, 2001). It includes ongoing activities such as helping the public to understand the company and its products. Besides that, public relations were conducted through the media such as newspapers, television and magazines. As noted above, public relations are often considered as one of the primary activities included in promotions. This definition reveals that public relations involves much more than activities designed to sell a product or service and at the same time to influence the purchase decision among consumers. Moreover, the PR program may involve some of the promotional program elements but use in different way. For instance, press release may be mailed to announce new products or changes in the organization, special event may be organized to create goodwill in the community. Public relations activities are designed to support marketing objectives as marketing public relations functions. Marketing objectives may be aided by public relations activities which include raising awareness, informing and educating, gaining understanding, building trust and giving consumers a reason to buy.

Boone and Kurtz, 1992, claim that a salesperson is an important promotion tool in communicating store image and persuading consumers to buy. According to Hawes et al., (1993), consumers are increasingly turning to salespersons as a source of information and reliability. This dependency trend is more so if the consumers are shopping for relatively expensive products as there is considerable evidence that personal selling is being used by medium and high price retail firms to service their customers. Besides that, personal selling is oral communication with potential buyers of a product with the intention of making sales. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale" by influencing the potential buyer into a purchase decision.

3.2 Theoretical Framework

(Source: Adapted from George A. Belch and Michael E. Belch, Advertising and Promotion: Integrated Marketing Communication)
4. Research Methodology

Probability sampling is selected in this research. The researchers used the probability sampling technique which is simple random sampling technique because every element in the population has the equal chance of being selected as a subject in the sample (Sekaran, 2000). We thereby resort to a probability sampling design. In addition, this sampling design has the minimum bias and offers the most generalizability of findings. Therefore, the population of the study will be the consumers who purchase cars in Malaysia but we have used sample rather than entire population because it is likely to produce more reliable result which means self-evident results. Questionnaires have been used in order to collect the data and 120 questionnaires were distributed to the respondents. Roscoe, 1975, proposed the rule of thumb for determining sample size that is sample size larger than 30 and less than 500 as appropriate for most research (Sekaran, 2000). All data that have been gathered through all the questionnaires from the target customers or respondents will be analyzed using SPSS software.

5. Findings

Table 1. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficients (Beta)</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td></td>
<td>5.719</td>
<td>.000</td>
</tr>
<tr>
<td>MeanBA</td>
<td>.336</td>
<td>4.039</td>
<td>.000</td>
</tr>
<tr>
<td>MeanBIM</td>
<td>.201</td>
<td>1.659</td>
<td>.100</td>
</tr>
<tr>
<td>MeanBPR</td>
<td>.211</td>
<td>1.913</td>
<td>.058</td>
</tr>
<tr>
<td>MeanBPS</td>
<td>-.021</td>
<td>-.199</td>
<td>.843</td>
</tr>
</tbody>
</table>

The purpose of coefficients here is to answer the first research objective which is to identify which promotional strategies have reached the consumer most. It is summarized in the Table 1. The Coefficients were used to see which among the four independent variables which are promotional strategies (advertisement, Internet Marketing, Public Relation/Publicity and Personal Selling) influenced most the variant in the purchased decision. In the column Beta under Standardized Coefficients, we see that the highest number in the beta is .336 for advertising, which is significant at the .0001 level. It may also be seen that this is the only independent variable that is significant. The negative beta weight indicates that if purchased decision by customer.

Table 2. Model Summary of Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.582(a)</td>
<td>.338</td>
<td>.315</td>
<td>.32730</td>
</tr>
</tbody>
</table>

In answering the second research objective which is to determine to what extent these promotional strategies influence target audience, the researcher use regression analysis and the table above summarized the findings.

From the table 2, it shows the independent variables which are advertising, internet marketing, public relation and personal selling in the model. The adjusted R^2 shows that the independent variables have influenced the dependent variables but the influenced by independent variables towards dependent variables is weak. This can be concluded that only 31.5 per cent of the independent variables which consists of
advertising, internet marketing, public relation, and personal selling, influence the purchased decision that lead to buying decision by the target audience.

Thus, this indicates that there are other factors such as sales promotion, road shows, word of mouth communication and so on that influences the purchased decision. The remaining 68.5 per cent cannot be explained by this model and has not been considered in this study. As a result, these promotional strategies (advertisement, Internet Marketing, Public Relation/ Publicity and Personal Selling) do not give a high impact on the purchase decision made by the customers.

6. Discussion and Conclusions

From the research, we found that the four independent variables that have been used (advertising, internet marketing, public relation, personal selling) have contributed to only 31.5 percent of the purchased decision by the target audience. It reveals that there are other variable (68.5 per cent) that may contribute to the buying decision of the target audience. Thus, the automotive industry in Malaysia should enhance other promotion strategies such as sales promotion, road shows and sponsorship event to enhance the customers’ attention, arouse the customers’ interest and desire and finally lead the customer’s action to buy the car (AIDA Concept).

In a nutshell, the automotive companies in Malaysia have used the common promotional strategies to attract the customers to buy their cars but there are still other means or ways that need to be improved by the companies to ensure that the promotional strategies are well received and would influence the buying decision of consumers.

References