



Symbiosis Institute of Management Studies Annual Research Conference (SIMSARC13)

Impact of Online Digital Communication on Customer Buying Decision

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Abstract

The objective of the study -"The impact of online digital communication, on customer buying decision" was to examine the effectiveness of online digital communication as a medium for marketing with respect to the automobile industry-specifically the passenger car segment. With individuals and businesses alike embracing the digital revolution, utilizing internet based interactive tools to communicate, make decisions and facilitate purchases, capitalizing on this global trend is certainly a top priority for automotive companies. An attempt has been made to understand the reach of internet as a communication medium and its role in bringing potential customers to the dealership showrooms. The study was conducted by administering a questionnaire to a sample of 100 respondents of varied demographic backgrounds. It was found that though a majority of people refer to online digital communication sources and find them reliable and useful, television advertising and word of mouth were the most instrumental in pushing potential buyers to the showroom. This implies that though online digital communication is a powerful tool in conveying information to customers, it is not yet the most widespread and influential medium.

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Selection and/or peer-review under responsibility of Symbiosis Institute of Management Studies.

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Keywords: Internet; Digital Communication; Customer; Buying Decision

1. Introduction

With more and more people becoming Techno savvy each day, there has been a sharp increase in the number of people using internet and mobile applications as their primary information source. This changing trend is forcing automobile manufacturers to embrace internet based digital technology as a means of communication and to come up with new, creative ways to capture the attention of wider markets. Many auto makers have discovered that the Internet offers a cost effective means of outreach. Auto websites now offer a whole range of interactive features, using technologies like “Flash and MS Media players”. Website visitors are increasingly able to mix and match colors, view the car from various angles get responses to online queries, schedule test-drives, servicing appointments, etc. This is gradually making internet based marketing the preferred mode of communication.

2. Objective of the Study

To examine the effectiveness of online digital communication as a medium for marketing with respect to the automobile industry-specifically the passenger car segment.

3. Limitations

Sample size may not be large enough to represent views of the entire population.

4. Review of Literature

In a global survey of 13,000 drivers across 11 countries conducted by Accenture in 2012, it was found that across the globe, drivers are seeking more integrated digital marketing experience from manufacturer and dealer sites. The study found that 13% of buyers browse more than 20 websites to get the information they seek. 92% visit at least 6 websites before buying a car. 69% turn to traditional offline media for information to make a car-buying decision. 86% customers want dealer sites with better integrated digital marketing, 62% favor a process that will enable them to get more simplified information online. 59% welcome the ability to chat online with a dealer and 87% respondents felt that better interactive digital marketing is a must for the auto industry.

When asked what the major influence impacting the buying decision was, 53% responded that manufacturer websites were the major influence, 49% said it was social media, 60% said it was the recommendations of friends and colleagues, 58% said it was advice from family.

In a study conducted by Infosys' Ashutosh Agrawal and Stephen Arockia Doss, it was observed that the new socially wired and empowered customer today has enough online information to decide on his purchase. According to the study, a leading internet service provider's research survey shows that 62% of future car buyers will use internet as

their primary source of information. Mobile handsets and tablets are powering the adoption of online information like never before. Dealership and OEM websites have witnessed spurt in traffic from mobiles. The buying activity is not just restricted to OEM and dealer websites. According to an online survey, nearly 64.9% of potential buyers look for information on third party sites. Comments and reviews from friends are becoming influencers in the decision making process.

According to a study published in Spire Research E-Journal in 2005 Q2, titled "Auto Industry-A Changed World, experts say that 60 per cent of all car purchases in the US begin with an Internet search. The indicators in Asia are no less exciting. In a survey involving prospective car buyers in India, 31 per cent of respondents cited the Internet as the most important and reliable source of information. This is not far from television (the leading response), at 36 per cent. The survey went on to show that 45 per cent of those who did not own cars, but intended to buy one, trusted the Internet as a credible source of information. By comparison, print media scored only 27 per cent. Such behavior should not be surprising, even setting aside the phenomenal growth in IT literacy and e-commerce that the world has seen. Cars are high involvement purchases. Customers would seek technical or "hard" information just as much as they seek the "Touch and Feel" experience.

5. Methodology

In order to study the implications of the use of online digital communication, by automobile manufacturers in the passenger car segment, on customer buying decision, a sample of respondents who had exposure to various media (print, television and internet) and a significant purchasing power (enough to purchase a passenger car-immediately or in the near future) was selected. Post graduate MBA students and urban professionals aged 25 and above were chosen as the sample population by stratified random sampling. The sample size was 100.

6. Hypothesis

H1: Online digital communication has a positive impact on customer buying decision in the automobile sector-passenger car segment.

H2: Online digital media is the preferred source of information for those who intend to buy a car.

7. Results

Table 1: Medium that influenced existing car owners the most in making their buying decision.

S.No.	Response	Percentage
1.	Television	16.6
2.	Print Media	15
3.	Online Experience	26.6
4.	Word of Mouth	26.6
5.	Others(Auto Expo, etc)	15

Discussion:

Table 1 indicates that out of the respondents who owned cars, 16.6% said that television was the medium that influenced their buying decision the most. 15% attributed their decision to print media, 26.6% each to online media and word of mouth respectively and 15% to other sources like auto expos, etc. It can be seen that majority of the respondents attribute their buying decision to the influence of online digital media and word of mouth. This is in concurrence with the findings of the global survey conducted by Accenture in 2012 which says that 53% respondents felt that manufacturer websites were the major influence impacting buying decisions, 49% said it was social media, 60% said it was the recommendations of friends and colleagues, 58% said it was advice from family. Hypothesis 1(H1) which stated that Online digital communication has a positive impact on customer buying decision in the automobile sector-passenger car segment has been proved correct. **Hence, Hypothesis 1 is accepted.**

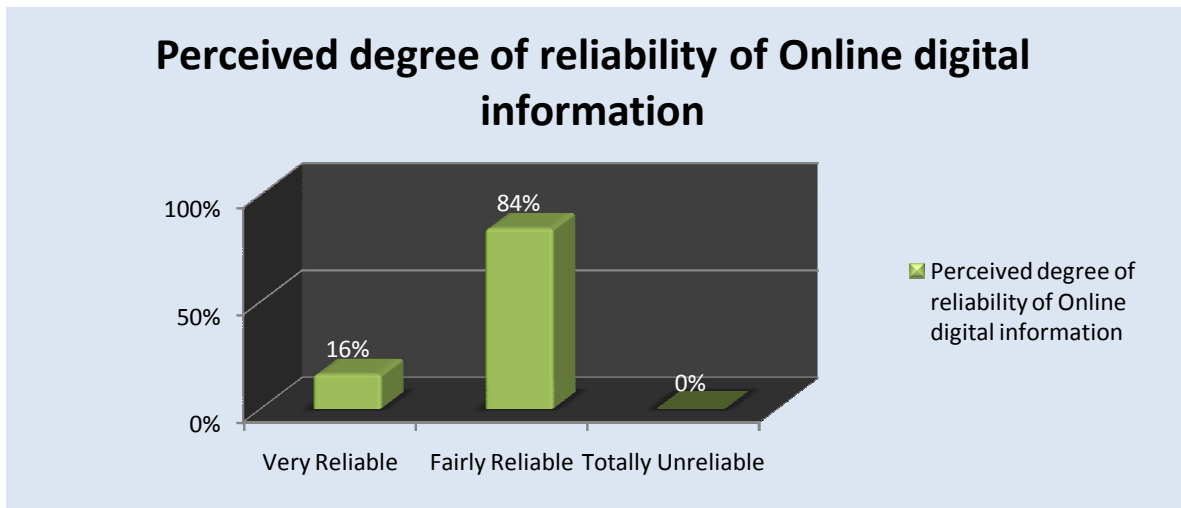


Figure 1: Perceived degree of reliability of Online digital information

Discussion:

From Figure 1, it can be seen that 84% of the respondents felt that information obtained from online digital media is fairly reliable and 16% felt that it is very reliable. Nobody felt that online digital information is unreliable..

Table 2: Preferred information source for people who don't own cars, but intended to buy one:

S.No.	Response	Percentage
1.	Television	17.85
2.	Print Media	15.73
3.	Online Experience	30.47
4.	Word of Mouth	22.47
5.	Others(Auto Expo, etc)	13.48

Discussion:

Table 2 indicates that out of the respondents who didn't own cars but intended to buy one, 17.85% chose Television as their preferred source of information before making a buying decision. 15.73% chose Print Media, 30.47% online media experience, 22.47% chose word of mouth and 13.48% chose other media like auto expos, etc. Majority of the respondents chose online digital media as their preferred information source before making a buying decision. This is in concurrence with the findings of the study published by Spire E-Journal in 2005 Q2, titled "Auto Industry-A Changed World which says that 45 per cent of those who did not own cars, but intended to buy one, trusted the Internet as a credible source of information, while by comparison, print media scored only 27 per cent.

Hypothesis 2(H2) which stated that Online digital media is the preferred source of information for those who intend to buy a car, has been proved correct. **Hence, Hypothesis 2 is accepted.**

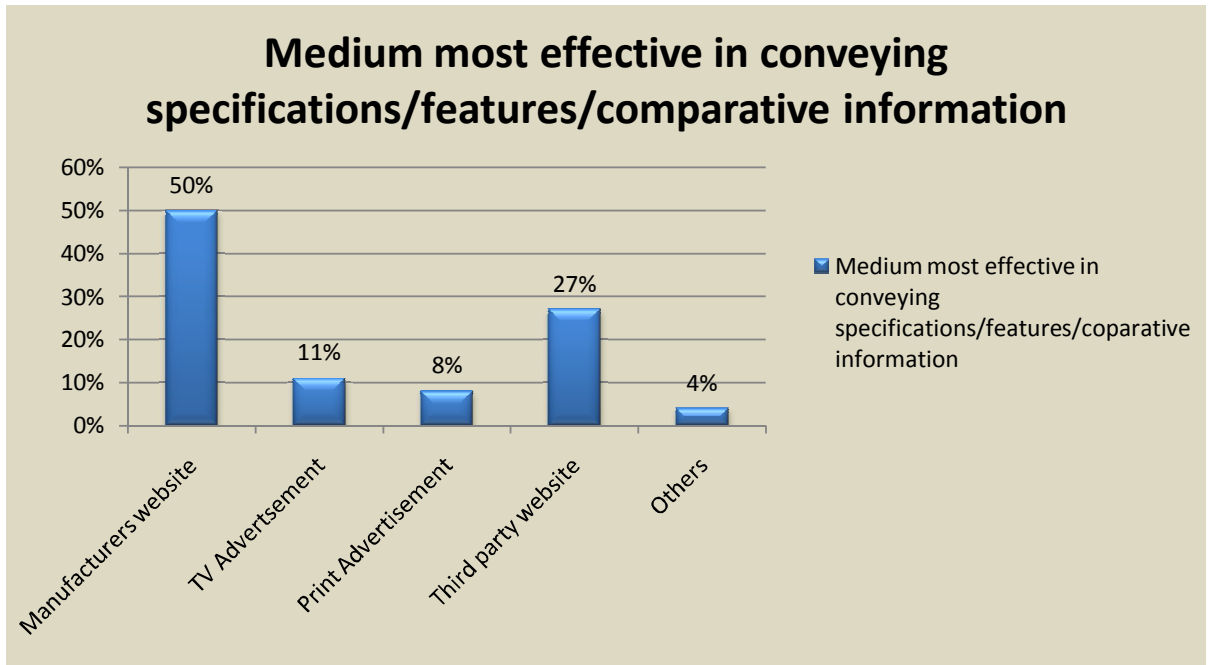


Figure 2: Medium most effective in conveying specifications, features and comparative information

Discussion: From Figure 2 it can be seen that 50% of the respondents feel that manufacturer websites are the most effective in conveying detailed information about specifications, features and comparative information regarding various passenger car models. 11% feel that Television Advertisements are most effective in doing so, while 8%,27%, and 4% felt the same about print Advertisements, Third party websites and Other sources(You tube, online magazines, Auto expos, TV specials, etc) respectively.

Table 3: Medium most instrumental in pushing potential buyers to the showroom

S. No	Response	Percentage
1	Television Advertisements	41%
2	Print Advertisements	11%
3	Online Digital Communication	17%
4	Word of Mouth	22%
5	Others	9%

Discussion:

Table 3 indicates that 41% of the respondents feel that Television Advertisements are most instrumental in pushing potential passenger car buyers to the showroom. 11% feel that Print Advertisements are most effective while 17%, 22% and 9% vouch for Online digital communication, word of mouth and other media respectively.

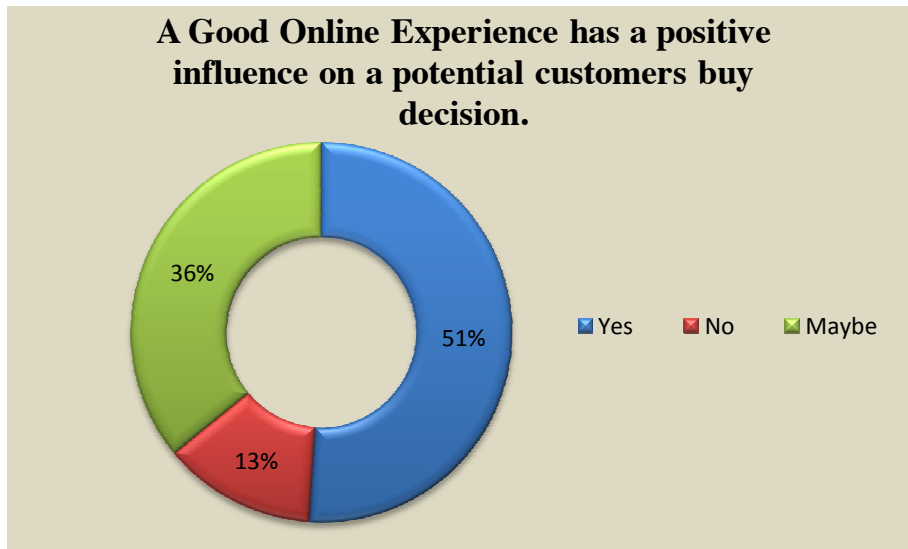


Figure 3: Does a good online experience have a positive influence on a potential customers buy decision.

Discussion:

From figure 3 it can be seen that 51% of respondents agree that a good online experience has a positive influence on a potential customers buy decision. 13% of respondents disagree, while 36% of the respondents are unsure if a good online experience will have any impact on a potential customers buy decision.

8. Conclusion

The objective of this study was to examine the effectiveness of online digital communication as a medium for marketing with respect to the automobile industry-specifically the passenger car segment. It was found that online digital media is the preferred source of information for those who intend to buy a car and its use has a positive influence on a potential customers buying decision. It was also found that Online information sources are much more effective for communicating detailed specifications, features and comparative information about a particular

passenger car model as compared to traditional media like Television and Print.

The hypothesis'-H1-which stated that Online digital communication has a positive impact on customer buying decision in the automobile sector-passenger car segment; and H2 which stated that Online digital media is the preferred source of information for those who intend to buy a car have been proved correct.

It was found, that though Online digital communication is a powerful, influential medium that is found to be fairly reliable by majority of its users, in India, its reach is not as widespread as that of Television. This can be attributed to various factors -mainly the huge digital divide prevalent in India and the Internet revolution still being in its preliminary stages.

9. Recommendations

The use of internet by the average Indian is growing exponentially each year and use of online digital communication for marketing is "the" way forward and comes with huge number of benefits like-

Utilizing the Internet as a marketing tool allows offline dealers access to savvy, serious car shoppers – not just a passive audience watching a television commercial or listening to a radio ad. Online marketing is more measurable (through web analytics such as click counts, visitor reports, etc.) than traditional media, so there is a higher expectation of meeting performance goals and delivering ROI.

While auto dealers spend hundreds of thousands of dollars on traditional advertising, they still have no precise way of measuring whether consumers are actually paying attention. On average, auto dealers spend \$550 on traditional advertising per one car sold, while the average cost per car sold using Internet advertising is only \$200. It provides an opportunity to creatively utilize cutting edge communication technology to provide unique pre and post sales to potential or existing customers thereby creating a differential advantage and adding value to the brand name.

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