



# A Comparison of Car buying behavior between American and Chinese People: An exploratory Study

S. Solamalai is Ph.D. Research Scholar with Sathyabama University, Chennai.  
Dr. N.R.V.Prabhu is Director, Sunshine Group of Institutions, Rajkot, Gujarat.

## ABSTRACT

The objective of this paper is to use the Wheel of Consumer Analysis to identify, cultural differences between American and Chinese people in North America regarding their car buying behavior. The study is based on the consumer behavior model proposed by J. Paul Peter and Jerry C. Olson (1994), which helps to explain the reasons for buyer behavior differences between American and Chinese people living in North America.

## INTRODUCTION

The objective of this paper is to use the Wheel of Consumer Analysis to identify cultural differences between American and Chinese people in North America regarding their car buying behavior. The study is based on the consumer behavior model proposed by J. Paul Peter and Jerry C. Olson (1994) which helps to explain the reasons for buyer behavior differences between American and Chinese people living in North America. For example, the Taiwanese frequently purchase a house using cash, as do many Chinese living in North America. In addition, many Americans and Chinese prefer Japanese cars to American cars because of the quality. In order to better understand the differences between Chinese and American car-buying behavior, we conducted a study of selected U.S. and Chinese auto buyers.

It is commonly accepted that occupation, age, and gender influence car-buying attitudes. This study uses the Wheel of Consumer Analysis Model to explain how cultural differences between U.S. and Chinese consumers affect car buying decisions. The Wheel of Consumer Analysis consists of three elements (a) environment, (b) behavior, and (c) affect/cognition, and is a useful model for explaining buyer behavior in general, and car buying behavior in particular. These three factors interact and influence each other and no one factor can be isolated. Finally, this model of consumer behavior can be useful in examining car-buying behavior differences and similarities between these two groups.

## LITERATURE REVIEW AND CONCEPTUAL MODEL

### WHEEL OF CONSUMER ANALYSIS

A consumer behavior model, Wheel of Consumer Analysis, was created by J. Paul Peter and Jerry C. Olson (1994) as a basis for explaining car buying behavior. According to the

American Marketing Association, consumer behavior is defined as the dynamic interaction of affect and cognition, behavior, and environmental events by which human beings conduct the exchange aspects of their lives. (Olson & Peter, 1994). Marketers can analyze a consumer behavior situation according to the three elements using the Wheel of Consumer Analysis the environment, behavior, and affect/cognition.

However, because these three factors interact and influence each other, no one factor can be isolated from the other. To understand consumer behavior, marketers must pay close attention to all three elements, each of which is discussed below.

### Wheel of Consumer Analysis Affect and Cognition:

Both affect and cognition are important for understanding consumer behavior, because affect and cognition refer to the internal and psychological reactions that consumers may have in response to objects in the external environment i.e., marketing stimuli, or to their own behavior. In other words, affect concerns feelings, while cognition involves thinking.

Affective feelings can be positive and favorable, or negative and unfavorable. Whether positive or negative, they will affect the decisions of consumers. The Chinese consumer presents a good example of this. When Chinese consumers go to car dealers to purchase a car, their emphasis is on the services, including the attitude of sales people and option packages. An important factor for the Chinese is that dealers are sincere when conducting business rather than focusing solely on the price. Many international companies have experience when dealing with the Chinese and they understand that the Chinese like to negotiate, especially on price and service.

### Behavior

The second important component is behavior or the overt acts of consumers. While affect and cognition are concerned with what customers feel and think, behavior deals with what customers actually do. Examples of consumer behavior include watching a TV commercial, visiting a store, or purchasing a product. Chinese consumers typically pay more attention to the informational content than entertainment features of the advertisements. One study found that Chinese customers considered themselves to be sophisticated and



knowledgeable in their purchasing choices (Shen & Zhao, 1995).

### Environment

The last component of consumer behavior concerns the environment. The environment refers to all the physical and social characteristics of the consumers' external worlds on both a macro and a micro level. Marketers need to know which level of environmental analysis is relevant for the marketing problem and choose or design strategies appropriately. The macro environment includes general environmental factors such as, the climate, demographics, economic conditions, and political system. The micro-environment includes face-to-face social interactions among smaller groups of people such as families and reference groups. (Olson & Peter, 1994) Both environments could include the objects, places, or other people who influence consumers' affect/ recognition, and behavior. In the Chinese society, friends are good reference providers, particularly in the case of large, durable goods purchases.

While the environment in which marketers operate is largely uncontrollable, marketers can influence certain aspects of the environment. Therefore, every marketing strategy needs to change or at least adapt to some aspect of the social and physical environments. While attempting to influence consumers' affect or cognition and their behaviors, marketing strategies must often be altered to fit the social and physical environments such as, designing cars without ashtrays, reflecting shifting social patterns of reduced smoking.

### METHODOLOGY

The research involved conducting in-depth interviews with American and Chinese consumers living in North America. Ten persons were interviewed for both American and Chinese groups in this study. The Chinese group included people from Mainland China, Taiwan, and Hong Kong. In both the American and Chinese groups, male and female representation was equal. The interviewees' ages ranged between 24 to 55.

The backgrounds of the respondents were quite diverse, including two students, three professors, two business people, a nurse, four housewives, two administrators, two army officers, and four retired people. Geographic locations of respondents included such states as Florida, California, Oklahoma, Washington, and the Canadian Province of Vancouver. The interviewers used face-to-face and telephone conversations to conduct the interviews.

The nature of the interviewers' questions focused on the color, style or quality, and price of the cars along with perceived image, consumer budget and payment procedures. Appendix A contains a copy of the questions used in the interview. The next section deals with the results of the in-depth interviews of American and Chinese car buyers.

### CASE STUDY RESULTS

Because of the cultural differences between American and Chinese, consumption styles are also different. Foreign markets have become significant for many businesses due to the U.S. immigration increases every year. Thus, many companies have taken notice of this situation and see a need to better understand the differences in cultural meanings across societies. Cross-cultural differences arise from different cultural environments that influence consumers' behaviors, affect and cognition.

The U.S. society is a highly developed consumer culture. Many U.S. companies focus not only on the Americans, they also take into account the cultural diversity of society today. Based on various cultural factors, car buying viewpoints are also different between American and Chinese living in the U.S. The results reported below are based on the three elements of the Wheel of Consumer Analysis model.

#### Affect and Cognition

In the case of car purchasing, both Americans and Chinese rely on their experiences to help them decide what kind and which brand name they wish to purchase. One Chinese interviewee said, "I like Honda Accord because I had one Honda car before and many of my friends have confidence in Honda. If I have a chance to choose a car, Honda Accord is still my best choice because Honda makes me comfortable." Additionally, stated, "Instead of only a reasonable price, I focus on the service," one Taiwanese interviewee. Not only do the Chinese think that service is very important, as Americans also feel that business relationships and service are important. One of American interviewees mentioned, "I had visited one Dodge car dealer in order to buy a car because I Read the Dodge image. After leaving this Dodge car dealer, I decided not to buy my car there because of the salesman, and service. Therefore, I bought my car at another Dodge car dealer."

Marketing stimuli, such as advertisements and web-sites, can activate and influence consumers' affect and cognition. For example, one American interviewee said "I like the car dealers, they have a special promotion every month such as, competitive price, lower APR [Annual Percentage Rate], and so on. If I want to buy my car, I can use these promotions."

Consumer psychology is affected by other environmental stimuli as well, such as the use of color. A study of the effects of color on consumer perceptions of retail store environments found that while customers were drawn to warm colors (red and yellow), they felt that warm-color environments were unpleasant; cool colors (blue and green) did not draw consumers, but were rated as pleasant (Olson & Peter, 1994). Color appears to determine American and Chinese car buying preferences as well. Eighty percent of the American consumers interviewed did not like the color red because they believe that red is "hot and feels too dirty and flashy." One of the American interviewees stated "The color red makes me think of police and makes me nervous.



It's so important that I have never bought red cars before." From a psychological viewpoint, in studying warnings on consumer labels, the level of hazard varied as a function of the signal word and the color in which it was related (Braun & Silver, 1995) The warning on each product was factorial for color such as red, green, and black. Data indicate that warnings printed in red resulted in a higher proportion of compliant behavior than those printed in green or black. (Braun & Silver, 1995) In addition, one American interviewee said, "I don't like the color yellow because it looks like a banana." However, about 50% of the American interviewees chose silver as their favorite color without giving any reasons.

It is worthy to note that 3 out of 10 people of the American interviewees like black and white because they think that these basic colors are easy to paint and feel cleaner. Additionally, insurance companies will charge lower premiums for white and black than for other colors. By contrast 2 out of 10 people of American interviewees dislike black and white, because they think that white is easy to recognize and the black feels dirty. However, older American male interviewees like conservative colors such as gray.

In contrast, 6 out of 10 people of Chinese interviewees like the color white because it is easy to clean and projects a feeling of purity. Yet, 2 out of 10 people of the Chinese interviewees stated they also like the color black because they think that black connotes sacred and nobility. To some Chinese interviewees, white or black is preferable, because they think that white and black are popular colors that can easily match clothes or shoes. Twenty percent of Chinese interviewees liked the color blue without giving any reasons. However, 8 of 10 people of the Chinese interviewees disliked yellow because it signifies the color of taxicabs in China. One Chinese interviewee noted "I really dislike the brown color of the car because it is very strange and nasty."

### **Behavior**

An earlier study of Chinese customers indicated that Chinese consumers are cautious, quality-conscious, more impressed with function than style, and generally ambivalent about brand names. (Remich, 1995). The following comment from one of the Chinese interviewees seems to confirm this notion. "I am used to go to the shopping center every week and I will compare the price and function of the product; besides, I will pay attention to junk mail promotion and television commercials, because I can better understand what the price is and function of the product at any time."

Regarding their pre-purchase information search, Chinese consumers appear to differ from their American counterparts. Chinese will not conduct extensive automobile research as compared to Americans. One American interviewee mentioned, "I spent over one year doing car research." Chinese attitudes and behaviors toward commercial advertising are usually positive and supportive, compared to those of American consumers (Shen & Zhao, 1995). Yet, both the Americans and Chinese interviewed in

this study believed that mass advertising, especially television advertising, is an effective marketing tool.

Brand loyalty has been useful in predicting repeat purchase intentions behavior as well (Kasper, 1988). In today's highly competitive marketplace, retaining brand-loyal customers is critical for survival. In fact, it is estimated that the average company spends six times more to attract new customers in lieu of maintaining the current ones. (Olson & Peter, 1994) All the interviewees noted the importance of brand name image. One of the American interviewees asserted "I like Japanese automobiles, and because I am a previous owner of Japanese automobiles, I can vouch for the quality of Japanese automobiles being better than American automobiles. That's why I now own a Toyota."

Another Chinese interviewee also said that "because the characteristics of Japanese automobiles are good quality and economical, I purchased Japanese automobiles."

### **Environment**

Environmental characteristics, such as the presence of reference groups, have a marked affect on consumer behavior. As indicated earlier, friends are good reference providers in the Chinese society. During the interviews one Taiwanese recalled, "Before I bought my Ford car, GM was my first choice. But all my friends suggested giving up this idea because they think that the quality of GM is not good. And they told me a lot of cases about the GM car problems. Finally, I bought Ford wagon."

A demographic characteristic, such as income, is another environmental factor that affects buyer behavior. Past studies have shown how income and price of products influence demand among Taiwanese consumers (Lee, Brown, & Seale, 1994). In particular, when Chinese purchase automobiles, they observe and inspect price tags, and then extensively negotiate with the seller. In this study, income does not seem to matter when it comes to negotiating the price of cars. For example, one Chinese interviewee said, "when visiting an automobile dealer with purchasing in mind, I will fully negotiate the price, even if I were a rich."

American car buyers, on the other hand, do not appear to be concerned with automobile prices. According to the American interviewees, 3 of 10 people of the individuals with high incomes seem unconcerned about the price. With Americans, the higher the income, the less one considers the price. One American interviewee said, "when I buy an automobile, I don't care about the automobile price because the bank will take care of everything."

Consumption habits are often shaped by changes in family status as well. People buy different goods and services depending on their stage in the family life cycle (Derrick & Linfield, 1980). For example, one Chinese interviewee stated, "I purchased an American station wagon because there are four members in the family, therefore there is a definite need for space."



Personal economics also help differentiate U.S. and Chinese automobile consumers. Although per capita GNP in Taiwan is nearing an equivalent US \$10,000, most Taiwanese people continue to purchase products with cash (Tseng, 1992). For the most part, Chinese interviewees claimed to have paid cash for buying their automobiles. One of the Chinese interviewees posed the question, "why would I finance or lease the automobile? I don't want the bank to earn the interest; therefore, I use the cash to buy anything. By the way, I also bought a beautiful house using cash." However, only 2 of 10 people of the Americans interviewed bought automobiles using cash, indicating that this method was a better way to negotiate the price down.

By contrast, 8 of 10 people of the Americans interviewed financed or leased their automobiles. It is worthy to note that 3 of 5 people of the American female interviewees decided to lease their automobiles rather than finance them. One female interviewee said " I like leasing the automobiles because I don't need to pay much attention to performing maintenance. For example, the battery of the automobile was dead, I called the automobile dealer and they took care of the automobile's problem immediately."

Finally, psychological factors, such as status, are often important determinants in making car-buying decisions. Historically, the image of the automobile is not only viewed in light of transportation, but as a status symbol, as well. Eighty percent of American male interviewees in this study agree with this assertion. One American interviewee stated, "I have a good job now, and I feel that a nice automobile, suit, tie, and shiny shoes are just as important. It is significant because I have to earn people's trust and reflect a positive image; otherwise, one would probably be inclined to question an individual's success or career attainment."

## CONCLUSIONS AND IMPLICATIONS

From the viewpoint of marketing organizations, a marketing strategy is a plan designed to influence exchanges of consumer behavior to achieve organizational objectives. A marketing strategy is also intended to increasingly influence and shape consumer behavior. Understanding and applying the Wheel of Consumer Analysis can help organizations understand consumers in order to better position their products and services in the marketplace.

Using the Wheel of Consumer Analysis as an analytical framework, this study identified the role cultural factors play in consumer car buying behavior. An exploratory study was used to compare differences between American and Chinese automobile consumers living in North America. In-depth interviews were conducted indicating that car-buying preferences exist based on the customer's cultural background. In particular, Chinese and American car buying consumers differ on their color preferences, with Americans preferring silver, black, or white, while loathing red; Chinese consumers indicated white as their preferred color. Both groups indicated dislike for the color yellow, for various reasons. Chinese and American consumers also differ in terms of their pre-purchase information search, with Americans more likely to conduct extensive automobile

research prior to their purchase. Reliance on reference groups, especially friends and family, seem to differentiate American and Chinese consumers. Chinese consumers were more likely to consult a reference group member prior to purchasing an automobile.

Finally, although both groups were value-conscious, the Chinese group appeared to be more concerned with price than did the American group. Although many differences exist, a number of similarities between American and Chinese consumers also were evident. For example, all the interviewees from both ethnic groups noted the importance of brand image. Further, both groups relied on their previous experiences to help them decide on what kind of cars and brand names they wished to purchase. Finally, the importance of service was common to both groups.

Based on these conclusions, a number of implications for managers would surface. First, companies, especially automobile producers and their dealers, should be aware that customers from different cultural backgrounds respond and process differently as consumers. The types of messages delivered to each group and the media selected should be carefully considered. Moreover, it appears that these two groups defined value differently.

Companies should consider on which elements of the value proposition--price, service, quality, and image--they wish to focus, based on cultural preferences. Finally, even as companies begin doing business in the "Internet economy," brand image is still important and needs to be cultivated and protected.

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