AFTER SALES SERVICE AND CONSUMER BUYING BEHAVIOR: AN EMPIRICAL INVESTIGATION IN AUTOMOBILE INDUSTRY OF PAKISTAN.

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Danish Ahmed[1]
Business Graduate,
IQRA University Gulshan Campus,
Karachi, Pakistan.

Sanatullah
Assistant Professor,
IQRA University Gulshan Campus,
Karachi, Pakistan.

Abstract

This study examines the impact of after sales service on consumer buying behavior in Automobile industry of Pakistan. Data was collected through close ended questionnaire of 250 customers, from the five selective after sales service centers, of the original equipment manufacturers of Pakistan. Ordinary least square estimation procedure has been used. Results show that easy availability of spare parts, easy availability of technician/mechanics, parts replacement warranties and customization services have positive significant impact on consumer buying behavior. On the other hand economical spare parts, compatible spare parts and workshops (service centers) have insignificant impact on consumers buying behavior. It is recommended that manufacturers and importers of automobiles should focus on easy availability of spare parts, easy availability of technician/mechanics, parts replacement warranties and customization services to affect the consumer buying intentions in Pakistan.

Keywords: After sales service, spare parts, technician/mechanics, workshops, customization services, warranty and consumer buying behavior.

1.   *For correspondence Email: danish.mba@hotmail.com*

Introduction

The importance of after sales service has been recognized by durable goods manufacturers. Firms offering durable goods are necessarily offering after sales services. In developed countries more emphasize placed on after sales services, because after sales service not only proving competitive advantage and helps in brand positioning but also contributes significantly in profit generation. Customers are very sensitive in their purchase decision, especially in durable goods. The motive to conduct this study is to evaluate the impact of after sales services on consumer buying behavior in automobile industry of Pakistan.

In Pakistan the automobile industry is regulated by Pakistan Automobile Association (PAMA), and there are four key players in this industry, these are Suzuki, Honda, Indus motors, and Deewan Farooq motors. This industry employs around 150,000 to 200,000 persons in this industry directly and indirectly. From 2001 this industry started to grow with the dramatically speed, and production from 44,000 vehicles, increased to 250,000 vehicles per annum in 2005[2]. But in the mid of this tenure, in Pakistan when used cars was imported from Japan like Toyota Vitz and Honda Accord etc, which are computerized cars, and which were imported without computerized equipment for their tuning, services and supported spare parts, this scenario badly affected the automobile industry of Pakistan. Branded cars despite very economical in price and attractive features, why not attract customers.

What is the most important thing for the automobile industry that should be considered to satisfy the customers need? This is very important to the automobile industry to determine the factors which play very important role to satisfy the need of the customers and drive their purchase decision.

This paper has been organized in the following manner, section 2 presents literature review. Section 3 includes modeling frame work. Section 4 consists of results and in section 5 conclusion and recommendations have been discussed.

Review of Literature

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Some selected theoretical and empirical studies have been discussed in this section.

Theoretical Background

Buying behavior encompasses of the series of actions in which individuals, groups, and organization go through the process of selection, purchasing, using and disposing off the goods and services to satisfy their needs. There are several factors which influence the buying behavior of the consumer like cultural factors, social factors, and personal factors. Apart from these factors there are some marketing factors as well which create stimuli in the mind of the consumers like product and services, price, distribution and communication with the consumers. These stimuli in the mind of the consumers influence their buying behavior[3].

Figure 2.1: *Consumer buying behavior model*

Source: *Philip Kotler, (2009)*

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2.   *http://www.pama.org.pk/*
3.   *Kotler, Keller, Koshy, & Jha (2009)*

As for durable consumer's goods, buyer seller relationship for the long time is very important this can be strengthening through after sales services. After sales services keeps the customers satisfied, it thus influences customer purchase intentions and increases the profitability of the firm. After sales service encompasses of installation services, function aids, spare parts, repair and maintenance and enhancements to keep the products in workable condition. After sales services are provided through the dealers geared towards fulfilling the manufacturer promises at time of sale[4].

Empirical Studies

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Armistead and Clark (1990) investigate the after sales support strategy relation with customer satisfaction. They studied five consumer and capital goods manufacturers. Results show that there are strong links between production, design, and after sales service strategy. After sales service is an important means for differentiating brands rather it increases customer loyalty and retention. It is suggested that firms should evaluate the significance and the strategic role that after sales services can play in differentiating and developing market competitive positions.

Zeithaml, Berry, and Parasuraman (1996) investigate the consequences of service quality on behavioral intentions. Four companies were selected and a close-ended questionnaire was mailed to the managers of companies, who later on mailed the questionnaire to their customers, ultimately 12,470 questionnaires were mailed and 3,069 were returned. Ordinary least square estimation procedure was used to investigate the relation between these variables. Results show that service quality has significant and positive impact on consumer behavioral intentions. They suggested that improving service quality can positively influence the behavior of the customer.

Ehinlanwo and Zairi (1996) examine the best practices

of after sales service in four major automobile firms of Germany that are Ford, Toyota, Nissan, and Fiat. They sent open ended and close ended questionnaires in these four companies. It is concluded that the after sales service represents a source of profit, customer satisfaction and is a source of product differentiation. They recommended that car producers must re-engineer their process in providing after sales service by making truly changes in their policies.

Rosen and Surprenant (1998) study whether after sales service is enough for the long term relationship with the customers. They selected two different industries, one was providing sophisticated equipment to business customers and the other one was a large consumer electronic manufacture in America. Both the industries were analyzed with different methods. In the first industry they used a close ended questionnaire which was mailed to 220 respondents. In the second industry an open-ended questionnaire was administered via telephone interview. In the first industry descriptive analysis was used and in the second one qualitative analysis was used. Results show that companies are focusing more towards providing the additional services to gain competitive advantage with good communication and flexibility. It is suggested that there is a need firms should understand to retain long term and satisfying relationship with the customers, that besides providing quality after sales services, communication with the customers, flexibility in the relation and planning is also important.

Oliva and Kallenberg (2003) inspect the transition of the firms on the product-service continuum and their consequences. They took a sample of 11 manufacturing companies in Germany. Data was collected through semi-structured interview and used grounded theory to infer the results. Results show that the companies extended from providing tangible goods to non-tangible services constitute major managerial challenges as they change the nature of relationship with the customers. It is suggested that firms should follow a particular

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4.   *See Levitt (1983)*

path and order in which they can develop capabilities to face challenges like selling advance services and repair and maintenance to differentiate their offering geared towards satisfying the customers and thus improve the profitability of the firms.

Saccani, Songini, and Gaiardelli (2006) empirically investigate the role of after sales service in the consumer electronics, IT, house hold appliances, and automobile industry. They studied 48 firms in these industries located in Italy as their sample. The technique used is exploratory in which they went through detailed and less detailed case studies and interviews with the mangers to identify cross firm and cross industry differences. Analysis was done with the help of a detailed questionnaire. Results show that after sales service provides a base for improving company image, customer satisfaction and retention. They suggested that companies should develop a strategic approach in delivering after sales services, moreover cross-functional and cross-organizational feedback systems should be develop to respond adequately to competitive challenges.

Rigopoulou et al. (2008) examine the consequences of after sales service on customer satisfaction such as repurchase intention and how products promotes through word of mouth if they are content with the company's brand in the electronic market of Greece. Data was collected though close ended questionnaire which were administered through telephone interviews from 420 respondents in Greece. They considered installation, delivery, customer satisfaction, re-purchase intention and word of mouth as variables. They used path analysis to draw results, which show that after sales service has significant and positive impact on customer satisfaction which in turn positively impacts buying behavior of the consumers. They suggest that services marketing managers should understand the impact of after sales service on customer satisfaction and behavioral intentions.

Carrete Lucero et al. (2008) investigate the determinants in automobile industry of Mexico, which influence loyalty of the consumers in the brand selection of a car. They took a sample of 100 customers from five selected dealers from the central region of Mexico. An open ended format was designed for the purpose of collecting data through interviews, which were transcribed and analyzed through content analysis methodology. Results show that the technical quality of the car, vehicle safety, vehicles' maneuverability and comfort are very important for the customers. Within this factor the customer satisfaction with the dealer's after sales service is also important.

Shaharudin et al. (2009) examined the factors of after sales service, which affect customer satisfaction in the electronic market of Malaysia. After sales services was determined through delivery, installation and warranty. Data of 100 samples were collected through closed ended questionnaire. Ordinary least square was used and results show that delivery, warranty and installation has significant positive impact on the customer satisfaction. It is recommended that companies should focus on improving after sales service management, moreover there should be sophisticated software, and enough back up inventory, response time should be reduced, staff should be trained and continuous improvements in functional activities to produce high quality products to keep the customer satisfied.

Modeling Framework and Variables

After reviewing the empirical literature, it is found that ordinary least square estimation procedure has been used by (Shaharudin et al., 2009) and (Zeithaml, Berry, and Parasuraman, 1996). According to Sekeran, U., & Bougie, R. (2009) 30 observations for each variable are suitable for multivariable research, therefore sample size of 250 is considered. The model that is proposed to investigate the buying behavior of consumers in automobile industry is derived using the after sales service framework.

The general after sales service function is:

BB= f (EASP, CSP, ESP, EATM, WS, PRW, CSR) (3.1)

Where *BB* is the buying behavior and *(EASP)* is the

easy availability of spare parts, *(CSP)* is the compatible spare parts, *(ESP)* is the economical spare parts, *(EATM)* is the easy availability of technician/ mechanics, *(WS)* is the numbers of workshops (service centers), *(PRW)* is the parts replacement warranties and *(CSR)* is the customization services.

Spare parts are changeable components of a machine, where economical spare parts are low cost spare parts and compatible spare parts are that parts which can be used interchangeably in the other variant of the same brand. Technicians or mechanics are the experts who use their mental and physical skills to repair the machine. Workshops or service centers are the points where after sales services are delivered. Warranty is the agreement between buyer and seller detailing the conditions under which seller is responsible for fixing problems without charging any cost to buyer. Customization services refer to the services which are made according to the convenience and from customer's choice.

The model to estimate empirical findings as follows:

$$BB = \beta_0 + \beta_1(EASP) + \beta_2(CSP) + \beta_3(ESP) + \beta_4(EATM) + \beta_5(WS) + \beta_6(PRW) + \beta_7(CSR) + \varepsilon_t$$

Where ε_t is the error in the term and all coefficients are expected to be positive in the above equation. The data collected from five major after sales service centers of the country through close ended questionnaire.

Estimation and Results

To find out the relationship between the variables used in equation *(3.2)*, Ordinary least square estimation procedure has been used. The results of the analysis are summarized in the table 4.1

From table 4.1, *EASP, EATM, PRW*, and *CSR* have significant and positive impact on consumer buying behavior. On the other hand *CSP, ESP,* and *WS have* insignificant impact on consumer buying behavior. Expected possibilities are compatible spare parts alter

Table 4.1: Determinants of Buying Behavior

Variables	Coefficient	t-stat	P-value	VIF
(Constant)	0.814	2.097	0.037	-
EASP	0.153	2.699	0.007	1.037
CSP	0.18	0.358	0.721	1.201
ESP	0.059	1.057	0.292	1.307
EATM	0.22	3.004	0.003	1.510
WS	0.003	0.049	0.961	1.377
PRW	0.278	4.262	0.000	1.353
CSR	0.129	2.829	0.005	1.141
Adj.R^2	0.235	F.Stat(prob)		11.936(0.000)

Source: Author's estimations

the performance and brand image of the vehicles and economical spare parts are inferior in quality that is why consumers don't prefer them, moreover consumers prefer only one workshop or place, because of reliability and for peace of mind from where they can get solutions of their problems.

Conclusion and Implications

This study examines the impact of after sales service on consumer buying behavior in automobile industry of Pakistan. Results clearly show that easy availability of spare parts, easy availability of technicians, parts replacement warranties and customization services have positive significant impacts on consumer buying behavior. On the other hand, economical spare parts, compatible spare parts and numbers of workshops (service centers) have insignificant impact on consumers buying behavior. The implication of the study is that the automobiles firms should put more emphasis on the easy availability of spare parts and technicians, customization in services and parts replacement warranties, so that they can influence the buying intentions of the consumers.

Direction for Future Research

For the long term benefit of automobile industry of Pakistan, further research can be carried out with respect to policies regarding automobiles, so that after sales service and other policies can mutually create boom in this industry.

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