Factors That Influence the Brand Loyalty and Dealer Loyalty of the Automotive Industry: the Case of Mexican Consumers in the Central Region of Mexico.

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In this study we investigate which factors determine the automobile brand and dealer loyalty of Mexican consumers, and to what extent. We collected data on brand loyalty and dealer loyalty among customers who bought their vehicle two years or more ago to permit evaluation of loyalty behavior. Our findings show that the core factor that appears to determine the loyalty of the Mexican consumer in the automotive industry is the satisfaction with the technical-functional quality of the automobile. Within this factor, satisfaction with the vehicle’s safety (in event of an accident), the vehicle’s maneuverability and vehicle comfort are the highest-ranked variables. In second place appears the satisfaction with the global cost of the vehicle and with the dealer after sales service. This study further reveals that it does not exist an authentic/real brand or dealer loyalty among Mexican car purchasers. This means that in spite of a customer’s current preference for the brand studied, the customer has tried and has bought different brands in the past, or simply has been sensitive to the competitors’ marketing actions or strategies.

[to cite]:


[url]:

http://www.acrwebsite.org/volumes/14113/la/v2_pdf/LA-02

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Factors that Influence the Brand Loyalty and Dealer Loyalty of the Automotive Industry: The Case of Mexican Consumers in the Central Region of Mexico

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Abstract
In this study we investigate which factors determine the automobile brand and dealer loyalty of Mexican consumers, and to what extent. We collected data on brand loyalty and dealer loyalty among customers who bought their vehicle two years or more ago to permit evaluation of loyalty behavior. Our findings show that the core factor that appears to determine the loyalty of the Mexican consumer in the automotive industry is the satisfaction with the technical-functional quality of the automobile. Within this factor, satisfaction with the vehicle’s safety (in event of an accident), the vehicle’s maneuverability and vehicle comfort are the highest-ranked variables. In second place appears the satisfaction with the global cost of the vehicle and with the dealer after sales service. This study further reveals that it does not exist an authentic/real brand or dealer loyalty among Mexican car purchasers. This means that in spite of a customer’s current preference for the brand studied, the customer has tried and has bought different brands in the past, or simply has been sensitive to the competitors’ marketing actions or strategies.

Antecedents and Main Purpose
The Mexican automotive industry faces increasing competition because many brands and sub-brands are available on the marketplace. It is also affected by vehicles that are manufactured abroad. Sales of vehicles manufactured abroad have increased from 11.5% in 1994 to 63% of the total Mexican car market in 2005 (Secretaría de Economía, México). This situation has exacerbated the competition among automotive manufacturers and their dealership systems at Mexico (Figure 1). In this competitive environment, how to reach the consumer loyalty has become the most important issue to preserve the market share of each of the brands. Because the automotive Mexican customer loyalty behavior is understudied, and because it is difficult to transfer other models and scales to the Mexican context (Arroyo, Carrete & García, 2008), the main purpose of this study is to explore which factors determine the automobile brand and dealer loyalty of Mexican consumers, and to what extent.

Theoretical Framework
To answer the question of what induces consumers to exhibit loyal behavior to a certain product or brand, literature recurrently emphasizes consumer satisfaction with the product or service (Fornell et al. 1996; Kristensen et al. 2001). In the automotive sector, product
quality, in its broadest sense, is the central determining factor of customer satisfaction with the car (Johnson, 1997). And the consumer satisfaction with the car explains brand loyalty (Bloemer and Lemmink, 1992). The core criteria considered for evaluating the technical-functional quality of an automobile are: practicality, driving comfort, performance, workmanship and number of times the vehicle needs to be repaired. (Oliver 1997; Westbrook & Oliver 1981). The dealer, on the other hand, also plays a decisive role in the evaluation of customers’ overall satisfaction (Roscino and Pollice, 2004). The automotive dealer constitutes the most important point of contact between clients and manufacturers in the pre-purchase, purchase and after sales/post-purchase phases. Therefore, the service that the dealer provides can influence customers’ level of satisfaction in all three phases. Martilla & James (1977) emphasize technical quality and free repairs as crucial for customer satisfaction with dealers. Satisfactory resolution of customer complaints also appears as a determiner of loyalty (Fornell et al. 1996). To explain the concept of brand loyalty, different definitions have been used in earlier studies. However, in this investigation, we will approach brand loyalty construct using Oliver’s four-stage model (Oliver, 1999). These four stages are: cognitive loyalty (positively evaluating the performance of the brand); affective loyalty (feelings about the brand); conative loyalty (intention to repurchase the brand) and action loyalty (the actual repurchase of the brand).

Methodology

First, the unit of study was defined. A corporate automotive brand was chosen which is a sales leader in the Mexican automotive industry. Post-purchase service managers of this brand supported the research project. Executives from the manufacturer proposed five dealer units in which to perform the study. These automotive dealers are located in the Central Region of Mexico. Second was the design of a depth interview guide. The concept of loyalty is complex; it is not only related to repurchase behavior, but also linked to perceptions and feelings that are not always conscious to the consumer. Therefore, an open instrument format was appropriate to gather information. Each of the dimensions of loyalty reported by the literature was considered (satisfaction with the quality vehicle, global vehicle cost, dealer sales process, dealer after sales process and the complaint resolution). Third was the sample size definition. The sample consisted of 100 customers from the 5 selected dealers. The interviews were conducted with customers who bought their vehicle two years or more ago to permit evaluation of loyalty behavior.

The interviews were carried out on October 2007 and January 2008 by eight professors and two MBA students of ITESM–Campus Toluca. Each interview was recorded and transcripted. Then, they were analyzed by the Content Analysis methodology.

Findings

The demographic profile of these 100 customers is necessary in order to contextualize the findings. These 100 opinions are mainly of men between 31-50 years of age, who are professionals, whose average incomes rank between $11,600 up to $85,000 Mexican pesos per month, (Mexican middle and upper-middle class).

The core factor that appears to determine the loyalty of the Mexican consumer in the automotive industry is the satisfaction with the technical-functional quality of the automobile. Within this factor, satisfaction with the vehicle’s safety (in event of an accident), the vehicle’s maneuverability and vehicle comfort are the highest-ranked variables. In second place appears the satisfaction with the global cost of the vehicle (associated with price, fuel costs, repair costs and replacement part costs) and with the dealer after sales service (reception, delivery and vehicle service realized). Even though these aspects are less important than the vehicle’s technical-functional quality, these are important enough to influence the consumer’s intention to try other brands that, in their opinion, will give them more benefits at the same price, or such benefits at a lesser price.

This study further reveals that it does not exist an authentic/real brand or dealer loyalty among Mexican car purchasers. This means that in spite of a customer’s current preference for the brand studied, the customer has tried and has bought different brands in the past,
or simply has been sensitive to the competitors’ marketing actions or strategies. Of Oliver’s four stages, the one that appears strongest is the conative loyalty related to the intention to recommend the brand and the dealer to someone they know. In second place is affective loyalty, because of the positive feelings showed by the interviewed people. In third is the conative loyalty related to the intention to purchase the same brand again, and the customers’ desire to buy their next car with the same dealer. The cognitive loyalty was in fourth place (the positive evaluation of the brand and the dealer), and finally, action loyalty appeared, given the customers’ actual purchasing habits both with vehicles and where they choose to get parts and service done.

The findings of this qualitative research will be the basis of a quantitative research in order to (des)confirm these findings. Future research will focus also on the dealer’s and manufacturers criteria of potential loyalty in order to address some major issues of the consumer-dealer relationship.

References