THE EFFECT OF BRAND EQUITY ON MALAYSIAN YOUTH’S INTENTION TO PURCHASE LOCAL AUTOMOBILES

BY

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A dissertation submitted in fulfilment of the requirement for the degree of Master of Science (Marketing)

Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

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ABSTRACT

The goal of this study is to investigate the influence of customer-based brand equity dimensions on young Malaysian’s (also known as belia) intention to purchase local brand automobiles. The research proposes a conceptual model based on Aaker’s (1991) theory of customer-based brand equity (CBBE) as well as Ahmad and Butt’s (2012) which examines the relationships among brand awareness, perceived quality, brand association and after sales services on young Malaysian’s intention to purchase local brand automobile’s, namely Proton and Perodua. Data extracted was collected from 215 young Malaysian’s via a structured questionnaire which employed a convenient sampling method of online survey by way of Google Forms. The targeted population were expected to reside mainly in the Klang Valley area; however the online nature of the sampling enabled belia from all over Malaysia to participate. The empirical findings of the research supported two of the four proposed hypotheses. The two dimensions that showed a positive and statistically significant influence on young Malaysian’s purchase intention of local brand automobiles were perceived quality and brand association, with perceived quality holding the most influence. Unexpectedly, brand awareness showed a negative relationship with purchase intention, contrary to the evidence in the literature, and after sales services proved to be statistically insignificant. The study supports Aaker’s (1991) customer-based brand equity theory that states brand equity in an automobile industry context is multidimensional with perceived quality as the most influential dimension. From a local automobile brand marketing manager’s perspective, the findings provide insight into the key aspects to focus on in brand building among young Malaysian’s. The key area of focus is to boost the perceptions of quality towards local brand automobiles and instil confidence that local brand automobiles are able to deliver on customer expectations. Marketing campaigns should also aim to boost positive brand associations in order to create favourable brand links in young Malaysian’s minds. The implications of the findings show that, given the gradual effects of automobile market liberation in line with the National Auto Policy (NAP), local brands may not be able to fare as well in the future as the local automobile industry becomes more competitive. Efforts may need to be made at government level to boost the perception of young Malaysian’s towards local automobile brands in terms of product and service quality, local engineering expertise and value for money.
خلاصة البحث

هدف هذه الدراسة هو التحقق من تأثير أبعاد حقوق المساهمين المستندة إلى العملاء على رغبة الشباب الماليزيين (المعروفة أيضًا باسم بيليا) في شراء السيارات ذات العلامة التجارية المحلية. ويقترح البحث نموذجًا مفاهيميًا يعتمد على نظرية Aaker (1991) حول حقوق الملكية التجارية القائمة على العملاء (CBBE) وكذلك أحمد وبحثه (2012) الذي يختبر العلاقات بين الوعي بالعلامة التجارية والجودة المدرجة والعلاقة التجارية وخدمات ما بعد البيع على عزم الشباب الماليزيين إشراء السيارات ذات العلامة التجارية المحلية، وما هو برودون، وبرودون. تم جمع البيانات من 212 شابًا ماليزيًا عبر استبيان مُنظم استخدم طريقة ملائمة لجمع البيانات عن طريق الإنترنét من خلال نماذج Google. كان من المتوقع أن تكون العينة المستهدفة مقيمة بشكل رئيسي في منطقة كلانج فالي، إلا أن طبيعة جمع البيانات عن طريق الإنترنét مكنت الشباب من المشاركة من جميع أنحاء ماليزيا. ودعمت النتائج التجريبية للبحث أغلب الفرضيات الأربعة المقترحة. والبحث النتائج أظهر أن إيجابيًا واقتصاديًا هامًا على نية الشباب الماليزيين شراء السيارات ذات العلامة التجارية المحلية، مع احتفاظ الجودة المدرجة بأكتر من التأثير. وعلى غير متوقع، فقد أظهر الوعي بالعلامة التجارية وجود علاقة سلبية مع نية الشراء، على عكس الأدبيات، وبعد أن أثبتت خدمات البيع أنها متميزة. تدعم الدراسة نظرية أمسم العلامة التجارية المستندة إلى الزبون (1991) والتي تقول بأن العلاقات التجارية في سياق صناعة السيارات متعددة الأبعاد مع الجودة المتصورة باعتبارها البعد الأكثر تأثيرًا. ومن وجهة نظر مدير تسويق العلامة التجارية المحلية، أظهرت النتائج نظرية ثانية للجوانب الرئيسية للتركيز على ترويج العلامة التجارية بين الشباب الماليزيين. ويشمل مجال التركيز الرئيسي في تعزيز تصورات الوعي بالعلامة التجارية المحلية، وعشر الثقة في قدرة السيارات المحلية على تحقيق توقعات العميل. ويجب أن تهدف حملات التسويق أيضاً إلى تعزيز جمعيات العلامات التجارية الإيجابية من أجل إنشاء روابط مفضلة للعلامات التجارية في عقول الشباب الماليزيين. وتظهر الأثر المنتمي على النتائج أن، نظرًا للأثر التدريجي لتحرير سوق السيارات بما يتماشى مع سياسة السيارات الوطنية (NAP)، قد لا تكون العلامات التجارية المحلية قادرة على الدخول في المستقبل حيث ستصبح صناعة السيارات المحلية أكثر قدرة على المنافسة. وقد يلزم ذلك دفع جهد على مستوى الحكومة لتعزيز مفهوم الشباب الماليزيين تجاه العلامات التجارية المحلية للسيارات من حيث جودة المنتج والخدمة، والخبرة الهندسية المحلية والقيمة مقابل المال.
I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (Marketing).

Suharni Maulan
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (Marketing).

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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Signature .......................................................... Date ............................................
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Firstly, all praise be to Allah S.W.T, Lord of the Worlds, the Infinitely Bountiful and Wisest One. It is by His Will alone that this undertaking was made a success and by His permission only that I am able to contribute this effort.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The study aims to examine the automotive industry in terms of purchase intentions of the market. The automotive industry in particular refers to the Malaysian automotive industry, with particular interest in local automobile brands. The market in question is the emerging youth of Malaysia. This opening chapter talks about both elements relative to the current market conditions and background on both.

1.1.1 Malaysian National Automobile Brands

The first step in Malaysia’s establishment of a national automobile brand began in 1979 when former Prime Minister Tun Mahathir Mohamad (who was at the time Deputy Prime Minister of Malaysia) forwarded the idea of establishing automotive assembly and manufacturing in the country to kick-start the industry (Proton History, 2017). The cabinet approved his idea of a National Car Project in 1982 under the name of Perusahaan Otomobil Nasional (the National Automobile Initiative), or Proton for short. The company’s flagship automobile, the Proton Saga has seen much iteration over the decades and is now accompanied by a slew of multi-purpose Proton automobiles such as the premium Proton Perdana, the compact MPV Proton Ertiga, and the urban-mini, Proton Iriz. Much of the expertise in terms of manufacturing and industry best practices were learnt from Mitsubishi as part of a business partnership to help kick-start Proton in Malaysia. In 2012, Proton underwent a major change in terms of ownership when it dropped its government-linked status and went private under the new ownership of Malaysian conglomerate DRB-HICOM.
As a whole, the market in Malaysia for home-grown automobiles is comprised of two major national players: Proton and Perodua (Letchumanan & San, 2016). Perodua (which is an acronym for Perusahaan Otomobil Kedua or the Second Automobile Initiative) is the only significant alternative national car manufacturer and assembler. The company saw its inception in 1993 and release of its iconic urban-mini, the Perodua Kancil, in 1994 (Important Milestones in the History of Perodua, 2017). In recent years, Perodua has been doing relatively well for itself with such milestones as successful new car launches of the new Myvi in 2015 and the company’s first sedan, the Perodua Bezza in 2016, not to mention its establishment of the Perodua Global Manufacturing plant, the first EEV manufacturing plant in the nation.

Table 1.1 - Market Share and Sales Volume of Passenger Vehicles in Malaysia

<table>
<thead>
<tr>
<th>MAKE</th>
<th>BRAND</th>
<th>Sales Volume (in Units Sold) - Passenger Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>Units</td>
<td>Units</td>
</tr>
<tr>
<td>National</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Perodua</td>
<td>34</td>
<td>196,071</td>
</tr>
<tr>
<td>Proton</td>
<td>24</td>
<td>138,753</td>
</tr>
<tr>
<td>TOTAL</td>
<td>58</td>
<td>334,824</td>
</tr>
<tr>
<td>Non-National</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Toyota</td>
<td>11</td>
<td>61,409</td>
</tr>
<tr>
<td>Honda</td>
<td>9</td>
<td>51,544</td>
</tr>
<tr>
<td>Nissan</td>
<td>8</td>
<td>45,780</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>83,100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>235,145</td>
</tr>
</tbody>
</table>

| TOTAL MARKET    | 100   | 576,657| 100    | 588,348| 100    | 591,298|


1 Paul Tan from paultan.org is a leading independent automotive information and news source for automotive industry related topics. Paul Tan’s Automotive News is a publication of Driven Communications Sdn Bhd.
In recent years, Perodua has been the dominant player in both total market share as well as the national market share for passenger vehicles. Referring to Table 1.1, from 2013 to 2016, Perodua has maintained the largest share of the overall market compared to its only national competitor, Proton. Over the four year period, Perodua’s market share has increased from 34% to a whopping 40% of the entire passenger market share. It seems to be stealing market share mainly from Proton, as its closest competitor has reported a steady decline over the same period from 24% of the total market share to a mere 14% in 2016.

As far as the trend goes, total market share of national automobiles appears to have decreased in percentage, and then gradually increased from 2014 to 2016 for the total market share of national brands. After dropping from 58% in 2013 to 53% in 2014, the total national market share has increased to 54%, mostly due to the skyrocketing sales of Perodua. In the non-national category, the three main automotive players from 2013 to 2016 have remained the same: Toyota, Nissan, and Honda. All other non-national brands make up the remaining 13% market share as of 2016, down from 2013’s 14%.

Analyzing the market share of the local automobile industry for passenger vehicles may be slightly misleading. For one, the trend in percentages shows somewhat of a prevalence of national brands over non-national brands. This data may lead one to conclude that the outlook is good for national brands and future buyers are still opting for national brands. However if we look at the sales volumes and the trend of automobile sales over the four year period as seen in Table 1.1, we can speculate further that sales appear to be diminishing.

From Table 1.1, we can see that Perodua sales have generally risen, although they have dipped in terms of volume sold in 2016, which is something not reflected in
the market share. Proton’s sales volume is aligned with their market share; they have steadily lost sales every year since 2013. Toyota has seen a drop in sales in 2016; however it has historically enjoyed sales in excess of 60,000 units sold in previous years. Honda is the rising star in the non-national category as they have steadily increased sales over the four year period. Nissan has shown a plateau in sales volume at around 40,000 units per year, showing good performance and an ability to protect its share of customers. These trends are not evident in the market share, as the percentages will show Nissan as losing market share when in fact; their sales are more or less the same in 2013 through 2015 at a total market volume of just under 600,000 cars sold.

An interesting thing to point out is the drop in the total market volume for passenger vehicles in 2016. This marks a bad year for the industry and is expected to drag down the performance of all automotive brands in terms of sales.

To further elaborate, we look to the following line charts:

![Line Chart: National Brand Sales Volume for Passenger Vehicles](image)

Figure 1.1 - National Sales Volume for Passenger Vehicles
As per Figure 1.1, the trend in terms of volume of national automobiles sold is steadily decreasing between 2013 and 2016, despite the general increase in the market for passenger vehicles, with the exception of 2016 which saw a large dip in total automobiles sold nationwide by about 80,000 units. This indicates that while Perodua may be stealing from Proton’s market share, national brands as a whole are in fact experiencing reduced sales. Again, this is something not reflected in the market share perspective of the passenger vehicle industry in Malaysia. In short, Perodua’s increase in sales is not enough to compensate for Proton’s steady decline in sales performance, leading to national brands consistent decline since 2013.

![Non-National Brand Sales Volume for Passenger Vehicles](image)

**Figure 1.2 - Non-National Sales Volume for Passenger Vehicles**

Figure 1.2 shows the trend of sales for non-national automobile brands. As can be seen, generally all non-national brands are experiencing plateaued sales over the 4 year period, with the exception of the bad year 2016 where total market for automobiles plummeted. Honda remains the best performer over the period; Nissan protects its nominal share of sales while Toyota and other brands experienced a bit
more decline in sales in 2016. As can be seen, the total volume sold by non-national brands is in fact increasing over time, barring 2016’s decrease in the total market size. The general rise in non-national brands is likely due to the stellar performance of Honda over the 4 year period. While other non-national brands have managed to protect their nominal share of sales throughout the 4 year period, Honda has managed to increase its customer base, leading non-national brands to rise with the exception of 2016.

To summarize the previous line charts, we can compare the total sales of national brands with the total sales of non-national brands. The trend shows steadily decreasing sales of national brands as a whole while non-national brands are increasing their sales over the same period of time. It would appear that national brands are losing out to the non-national brands, a trend that may continue in the future.

It is important to note that another prominent local automotive manufacturer is Naza (Naza Automotive Manufacturing), however it is not considered a national brand or a producer of local cars as they are exclusively producing foreign brand cars, mainly Kia and Peugeot (NAZA Automotive Manufacturing., 2017).

1.1.2 Malaysian Youth as an Emerging Market for the Automobile Industry
Age is a crucial factor when assessing consumer purchase intention. A particular age demographic of concern is young Malaysians or otherwise known as Malaysian youth. The definition of young people in Malaysia falls under the Ministry of Youth and Sports’ definition of Malaysian youth known as “belia” in the Malay language. The parameters set for Malaysian youth by the ministry are any Malaysian aged between 15-40 years old (Ministry of Youth and Sports, 2017). However the parameters set by
the Malaysian Institute of Youth Development Research (2017), which is a research institute under the Ministry of Youth and Sports, raise the lower bound of the demographic to 18 years old, hence youth are those aged between 18-40 years old.

The young people targeted in this study can also be labelled as millennials (born after the year 1980); who are segregated into being young millennials if they are aged 16-24 years old and older millennials if they are aged between 25 and 32 years of age as of 2013 (AutoTrader, 2013). This means that in the current year of 2017, millennials would be those individuals born after 1980 currently aged between 21 and 37 years old. This puts millennials defined by the automotive industry well within our consideration criteria as they are in the middle of the age perimeters of Malaysian youth, allowing us to use the terms Malaysian youth, young Malaysians, belia and millennials interchangeably. Constantine (2010) states that young people are categorized as Generation Y, which he synonymises with the terms “Millennials” and “Echo Boomers” (p. 3). He sets the perimeters for Generation Y as anyone born between 1979 and 1999, which would make our current demographic in 2017 aged between 18 and 38 years old.

The parameters we have set for the members of the population to be considered young in Malaysia is that they are a minimum age of 18 years old (legal drivers and qualified to apply for bank loans in order to purchase automobiles), and are not more than 40 years old. For the purpose of this study, we deem members of the target population above the age of 40 years old not to be considered young Malaysians. The cut-off point being a 40 year age cap is what will determine whether our sample population is young or not young, hence we will be able to focus on the young Malaysians purchase intention and contrast it with the purchase intention of the aging population.
Another important segregator of Malaysian youth is education level. It is seemly that young Malaysians possessing either a professional certificate/diploma or undergraduate degree are highly likely to be considering to purchase their first car, as they are likely searching for a job or have recently entered the workforce, which, in turn may require them to possess the liberty of personal transportation. The assumption is based on the growing workforce of young graduates in Malaysia (Ministry of Human Resource, 2016) and their ensuing commute needs. The statistics show that the graduate workforce increased 19.8% from 101,619 in 2014 to 121,740 in 2015, the number of unemployed graduates increased by 5% from 52,219 in 2014 to 54,852 in 2015, and the percentage of graduates considered to be “waiting for job placement” increased by 2.1% from 8,941 in 2014 to 9,133 in 2015. This gives reason to deduce that the demand for automobiles among young Malaysians is growing, making them increasingly desirable as a market focus. However, given that not all youth will necessarily get an education beyond that of school leaving (SPM), it is unwise to exclude non-graduates from the population of young Malaysians. This being said, the education level will be used primarily for respondents profiling.

Given the trend of increasing numbers of new potential buyers (emerging youth), it cannot be ignored that automobile producers must fashion their marketing strategies to better connect with Malaysian youth if they are to have a chance of securing them as a market. AutoTrader’s (2013) market research report, The Next Generation Car Buyer, predicted that by 2023, 40% of all new vehicles will be sold to millennials, and they will continue to buy cars beyond that time period. The marketing research report highlighted key aspects of millennials, which fall under this study’s target demographic parameters for young people, which make them the ideal target market. The report found that 51% had optimistic outlooks regarding their
economic condition in a year. Millennials are characterized as being individualistic, apparent in that 32% like to impress others via lifestyle and 40% like to show off their taste and styles, both of which are expressed profusely via the automobiles they drive. Millennials are also much better informed and up to date on products and brands important to them, 46% of millennials relied heavily on word of mouth recommendations and 41% regularly read customer reviews. An interesting finding of the report was that although about half of millennials did not own an automobile, 73% claimed that they had a car purchase intention within the next year. Millennials do not see automobiles as wants, rather as needs in their daily lives. 72% of younger millennials indicated that car ownership was vital to their social life. The power of branding also plays a significant role in marketing automobiles, as 46% of millennials claimed they are willing to pay more for products which are consistent with their personal image.

Another important consideration which affects the purchasing trends of Malaysian youth is price. The younger portion of the youth demographic under 30 years of age is more likely to be price sensitive as they consist of lower income individuals such as students, fresh graduates, and those still starting up in their careers. As a result, cheaper alternatives are likely to take priority in their purchase considerations, such as Perodua’s Axia which is priced as low as RM24,900. This could explain the dominance of national brands automobiles: they are simply cheaper. National brands have historically performed better for this very reason, as the Malaysian government has previously maintained a policy of protectionism for local automotive players. However this policy is gradually being lifted via the National Automotive Policy (NAP) which was introduced by the Ministry of International Trade and Industry in 2006. One of the objectives of the policy is market
liberalisation via import duty removal/reduction in order to comply with trade agreements (Ministry of Trade and Industry, 2015). This effectively means that non-national brands are able to enter Malaysia more cheaply and are hence able to sell more cheaply, allowing them to sell their cars with more competitive prices. Under the Free Trade Agreements (FTAs), Malaysian authorities are gradually reducing import duties, which could explain the decline in domestic passenger vehicles sales in Figure 1.1 and the stellar performance of a few non-national brands in Table 1.1. This is alarming for national brand producers as it implies that, given a more levelled pricing field, consumers appear to shift to non-national brands.

The NAP also outlines the gradual introduction of Vehicle End of Life Policy (ELV) under its initiatives to increase road safety. The policy imposes mandatory annual inspections as a requirement for road tax renewal for all vehicles aged 15 years or older. The NAP cites Malaysia’s low vehicle scrap rate and high average vehicle age as safety concerns for roadworthy vehicles. The goal is to reduce road safety issues such as accidents caused by increasingly problematic aging cars. The inspections aim to identify aging cars that are less than roadworthy as well as encourage consumers to scrap older and more hazardous vehicles. Scrapping older vehicles will in turn likely create demand for new replacement vehicles. Setting the mandatory inspection age at 15 years is supposed to reduce the average vehicle age and increase the vehicle scrap rate. This means that consumers are likely to more frequently upgrade their automobiles by selling the old and buying new due to regulatory pressure, which is something unprecedented in Malaysian automotive history. This policy gradual implementation is occurring during the rise of millennials as Malaysia’s current youth demographic, further impacting their purchase considerations and automobile purchase patterns.
1.2 STATEMENT OF THE PROBLEM

Prior research on purchase intention as a predictor of consumer behavior has been commonly researched based in many existing theories such as brand equity, the Theory of Reasoned Action, and the Theory of Planned Behavior. In terms of brand equity, the antecedents of purchase intention are classified into four main variables of brand equity (Jalilvand, Samiei, & Mahdavinia, 2011; Manzoor & Shaikh, 2016; Nigam & Kaushik, 2011; Ahmad & Butt, 2012) with an additional variable proposed as an extension of brand equity (Ahmad, Butt, 2012; Altaf & Hashim 2016). All variables listed represent a variety of factors which may predict an individual’s purchase intention. In this particular case, we look at factors predicting the purchase intention of Malaysian cars.

As shown in Table 1.1 on page 2, the Malaysian automobile industry is dominated by local brands Perodua and Proton, and competition is apparently quite intense. As seen in the aggressive market share grab to over 40% by Perodua, and a plummet in market share of national brand automobiles as compared to non-national automobile brands in 2014 to more than 52% of the total market share as compared to 58% dominance in 2013; shows that non-locals players are not content to back down from securing and growing their market shares.

Furthermore, the trend in sales over the past four years is indicative of declining interest in national brand automobiles and increased adoption among non-national brands. Figure 1.3 shows, the gap between national and non-national brands in terms of sales volume is closing, which is an alarm bell for national brand automobile companies as it implies the market is opting away from buying local, likely due to reduced import duties under the NAP (Ministry of Trade and Industry, 2015). Additionally, with the drop in the total market for passenger vehicles, it is
even more vital to secure and grow sales for fear of losing out of the decreased market to non-national brands.

Figure 1.3 - Total Sales for Passenger Vehicles in Malaysia

There are scattered researches conducted on specific brands such as Proton (Eze, Yee, & Wamala, 2012; Mashahadi & Mohayidin, 2015; Leow & Husin, 2015; Hashim, 2008), however there does not appear to be research into the niche of purchase intention of local cars for young Malaysians. With an ever increasing population of young Malaysians as the next generation of buyers, it is crucial to assess the capabilities of automotive brands in affecting the purchase intention of these potential buyers. The strength of local automobile brands is likely to play a vital role in both preserving its existing market share as well as securing long-term commitments from the ever increasing market of Malaysian youth.
1.3 RESEARCH QUESTIONS

1. What is the relationship between brand awareness, perceived quality, brand association, and after sales services, and Malaysian youth’s intention to purchase local automobiles.

2. Which factor among brand awareness, perceived quality, brand association, and after sales services, has the most influence towards Malaysian youth’s intention to purchase local automobiles.

1.4 RESEARCH OBJECTIVES

The general objective dictates the overall direction of the study and the specific objectives aim to highlight the efforts to answer the research questions.

1.4.1 General Objective

The general objective of the study is to investigate the influence of brand equity dimensions on purchase intention of Malaysian youth towards home-grown local car brands.

1.4.2 Specific Objectives

1. To determine the relationship between brand awareness, perceived quality, brand association, and after sales services, and purchase intention of locally produced automobiles among Malaysian youth.

2. To identify which factor among brand awareness, perceived quality, brand association, and after sales services, has the most influence towards the purchase intention of locally produced automobiles among Malaysian youth.