

A Critical Analysis of Rational & Emotional Approaches in Car Selling

Dr. Krishn A. Goyal,
*Head, Management Department
B.N.P.G. College Udaipur India.*

kagoyala@gmail.com

A. Sadasivam,
*Ph.D Scholar, BIT International Centre,
Muscat. Oman*

sadasivamiyer@gmail.com

Abstract

Investment in a Car is the costliest investment made in a life time only next to construction of a house, for any human being. It is a common knowledge that all of us are attracted towards cars right from childhood and we have developed our own perceptions for cars. When we acquire the capacity to buy cars, our experience of buying, involves both emotional and rational aspects which lead to a purchase decision. This research study discusses consumer behaviour and rational & Emotional aspects in car selling. It also focuses on role of sales person.

Keywords: Consumer behaviour, Car Selling, Rational, Emotional,

A well known fact is that investment in a Car is the costliest investment made in a life time only next to construction of a house, for any human being. It is a common knowledge that all of us are attracted towards cars right from childhood and we have developed our own perceptions for cars. When we acquire the capacity to buy cars, our experience of buying, involves both emotional and rational aspects which lead to a purchase decision. Unlike other consumable durables, the decision to buy specific brand of Car is shaped over a long period of time. The period between recognition of need to buy a car and the actual purchase may run into many weeks or even months. Considerable research has focussed on conceptually and operationally defining various factors that lead to a purchase decision. However, because of the inherent difficulties in deciphering consumer behaviour coupled with exponential changes in consumer aspirations, there is a need to constantly re-define our perceptions about consumer behaviour. Revealed Preference Theory of Samuelson & Bounded rationality Theory of Herbert Simon and many others have provided a conceptual analysis of Consumer Behaviour from the perspective of economics, we have still not been able to pinpoint whether consumers are Rational or Emotional when it comes to buying Cars.

According to some early economic theorists (e.g., Adam Smith, Jeremy Bentham, Alfred Marshall), man's/woman's desire for goods and services exceed his/her ability to pay. Therefore, buying decisions are made through a rational process during which we assign a value to each desired product or service offering based upon our assessment of the ability of that offering to satisfy our needs and desires. This want satisfying ability is termed "utility." As different offerings possess different levels of utility, rational behavior dictates that one seek to maximize utility. In contemporary parlance, this means seeking the most bangs for the buck. "¹ This assumes even more relevance considering the fact that the whole process of buying a car is complex in nature and earlier researches have pointed out that the whole family is involved in the decision making process. The explosion of information available on cars through various sources has been a mixed blessing as more information has led to more confusion & the consumer is unable to decide on his own, in most cases. As a result there are many cars in his consideration set and

¹ Jacob Jacoby , Working Paper #CLB-00-009 - IS IT RATIONAL TO ASSUME CONSUMER RATIONALITY? SOME CONSUMER PSYCHOLOGICAL PERSPECTIVES ON RATIONAL CHOICE THEORY , New York University Center for Law and Business

the consumer is waiting for the right guidance in spite of all the information available with him. This guidance can be provided by the Sales Person with an approach focussed on both Rational and Emotional Factors. In a path breaking paper by James Andreoni, an application of revealed preference to a common occurrence in experiments i.e. kindness among subjects was discussed. The author focuses on the fact that subjects are often found to act benevolently towards each other and there are many emotional elements attached to decisions. The study points out that the subjects were "irrational" because they did not choose to maximize their own monetary payoffs. This at times disputes traditional economic theories which dubbed man to be a Rational Man. Many other researches pointed out that the classical theory had failed and reiterated the need to appeal to other behavioral sciences to understand "non-economic" behavior. "But the axioms of choice indicate that what is "rational" is what is consistent, that is, it can be characterized by convex preferences. Hence, whether this benevolent behavior is rational is an empirical question that the experimental economist is perfectly suited to answer. The hypothesis to explore here is that subjects have consistent preferences for altruism."²

In this analysis, the authors, seek to understand various emotional and rational elements at play while buying a car. The study begins by identifying consumers who have a similar disposition to a specific brand. Such consumers will be grouped into two classes and tested through a Two Sample test to check if the mean differences in their perception are significant. If the differences are significant, then the process of identification of potential respondents will continue till such time we arrive at a group of 15 consumers who share similar perception about the brand. The subsequent process is to put identified consumers through two different Sales Persons from the same company during the buying cycle. The approach of the first Sales person would be rational in nature i.e. to influence the consumer on various features of the car that can be quantified. His Sales Pitch would focus only on the rational elements of why the product is superior compared to other products available in the market. His focus is to appeal to reason than to emotions. The approach is more mechanised but at the same time minute feature to feature comparison with competitor products were enumerated. Needless to say the focus on human elements was very marginal. The same consumer will then be followed up by a second sales person whose approach would be more emotional in nature. His focus is to establish trust in the consumer's mind through a straight forward communication focussing on broad level benefits of the car & features with little focus on rational elements. His approach is to gain the trust of the consumer through a high quality of inter personal relationship to leverage the name of the Brand. He does not use product to product comparison techniques but instead appeals to relationship by establishing rapport & using referrals and testimony from other customers using the same car.

The customers were not aware of the details of the approach employed. However, they knew that the approaches were different.

The consumers will then be asked to compare the two methods on the Degree of influence exerted by each of the two methods i.e. Rational Approach in case of the first Sales person and the Emotional Approach in case of the second sales person. The following hypothesis is tested using Wilcoxin matched pairs test that there is no difference between the persuasions, as experienced by the consumer, in both the approaches using a 5% level of significance.

WE selected Wilcoxin Matched Pairs test the hypothesis because we cannot be sure that the distribution of scores will follow a normal curve & there is no guarantee that the variances will be equal. This is largely because consumer behaviour is unpredictable & the same customer might give a different rating if observed after a gap of one month. In this study individuals were selected from the population and each one had an equal chance of being selected. The sample sizes were the same as is evident from the study had something in common i.e. the subject of observation.

During the interaction, the sales person using the rational approach was trained on all aspects of the following in order to influence the customer's purchase intention. The sales person was extremely knowledgeable on the product knowledge front. The features are rational because each of these can be quantified either ordinally or cardinally.

² Analyzing Choice with Revealed Preference: Is Altruism Rational? By James Andreoni Department of Economics University of Wisconsin Madison, Wisconsin 53706 and John H. Miller Department of Social and Decision Sciences Carnegie Mellon University Pittsburgh, Pennsylvania 15213

Rational Elements in Car Buying

Rational Elements		
S. No	Features	Theme
1	Safety features	Rational
2	Vehicle Dimensions	Rational
3	Air Bags	Rational
4	Service facilities	Rational
5	how big is the company	Rational
6	Top Speed	Rational
7	showroom should be large	Rational
8	Spare Parts Prices	Rational
9	Should have long service intervals	Rational
10	Service Costs	Rational
11	Schemes	Rational
12	Price comparison with other cars	Rational
13	Less Maintenance	Rational
14	Fuel Economy	Rational
15	Free Schemes	Rational
16	Discounts in Cash	Rational
17	Buy Back	Rational
18	Features	Rational
19	more space inside the car	Rational
20	Location of the showroom	Rational
21	ease of getting in and getting	Rational
22	More Leg Room	Rational
23	Upholstery Colour	Rational
24	colour availability	Rational
25	Power Torque etc	Rational

TABLE 1:Rational Elements in Car Buying

After the interaction, the customer was asked the following questions & were asked to experience and compare both the approaches on a set of scale items judged to be ordinal. The extent to which the overall purchase intention was influenced by both the sales executives were recorded & ranked as under.

Null Hypothesis :

Ho ; There is no difference in degree of persuasion of both the approaches

Alternate Hypothesis :

Ha : There is difference in Degree of persuasion of both the approaches .

WILCOXIN MATHED PAIR TEST Analysis

WILCOXIN MATHED PAIR TEST							
						Rank with signs	
Pair	Emotional Approach	Rational Approach	Difference (D1)	Absolute Value of Difference	Ranks	" + "	" - "
2	69	70	-1	1	1.5		-1.5
11	59	58	1	1	1.5	1.5	
4	66	68	-2	2	3.5		-3.5
12	71	69	2	2	3.5	3.5	
13	64	67	-3	3	5		-5
1	67	71	-4	4	6.5		-6.5
9	75	71	4	4	6.5	6.5	
6	58	65	-7	7	8.5		-8.5
15	69	62	7	7	8.5	8.5	
14	67	59	8	8	10	10	
3	68	58	10	10	11	11	
5	62	73	-11	11	12.5		-12.5
8	69	58	11	11	12.5	12.5	
10	64	52	12	12	14	14	
7	67	53	14	14	15	15	
					Total	82.5	-37.5

TABLE 2 :Wilcoxin Mathed Pair Test Analysis

We are not dropping any pair as there is no data where the “ d “ value is zero and hence we can proceed with n = 15.

The table value of T at five percent level of significance when n = 15 is 25 (using a two tailed test because our alternative hypothesis is that T is 18.5 which is less than the table value of 25. As such we reject the null hypothesis and conclude that there is no difference between the two approaches . Both are equally effective in influencing customers purchase intentions .

CONCLUSION

We can draw a lot of inferences from the above study. While there is enough information available to consumers as a result of information explosion, yet consumers may not buy cars because of rational reasons alone when it comes to buying preferences. The results of the hypothesis will go on to show that Sales Persons have a large role to play in influencing consumer's purchasing decisions. The impact of two approaches in influencing the consumer's perception can be quantified and the result of the hypothesis will point to the right approach that can be followed in future. Irrespective of the merits of any single approach, it needs to be kept in mind that both the approaches are complimentary and proper balance is the key. The sales person should also be wary of the fact that the approach also depends on the nature of the consumer. The best method would be to use rational approach with focus on rapport building and using referrals and testimonies.

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