

Factors Influencing Consumers' Choice for Car Leasing Service of ABC Bank Limited

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Abstract - The research attempted to study factors that have influence on consumers' choice for car leasing service of ABC Bank Limited. Population of the study were consumers, who availed the ABC Bank's car leasing service. 200 samples were randomly selected to answer the questionnaires. Statistical tools used to analyze the data were percentage, mean, standard deviation, t-test, F-test, One-way ANOVA, and Fisher's least significant difference (LSD). The study discovered that out of 200 samples most of them were male age 31-40, graduated Bachelor's degree, working in private companies with monthly income above 20,000 Baht. Overall opinion was in high level, and the factor with the highest influence was product, followed by people, physical evidence & presentation, process, price, place, and promotion respectively. Hypothesis test proved that demographic factor i.e. occupation had influence on consumer behavior in choosing car leasing service of ABC Bank Limited at a statistical significance level of 0.05. However, gender, age, education, and income did not have influence on the consumers' behavior. Marketing mix factors including product, place, promotion, and process had influence on the consumer's behavior at a statistical significance level of 0.05, while price, people, and physical evidence & presentation did not have influence on the consumers' behavior. The research suggested that administrative officers should focus on every aspects of the lease system. They may improve all the systems to be always sophisticated and responsive to customers' needs as well as pay attention to service staffs and all facilities involved.

I. INTRODUCTION

Automobile industry is very crucial to Thailand's economy and the slowdown in automobile industry this year has caused Thailand's GDP of industry sector to decrease accordingly. However, Thailand still has confidence and continues its expansion in automobile industry with the outstanding products such as pickup truck and eco car. Pickup truck and eco car are the two leading types of vehicle that the government has been trying to promote and push it to world class production base. Launching of the second generation of eco car and restructuring of excise tax in 2016 would bring about significant changes in automobile industry of Thailand.

Now look closer to ourselves, it is obvious that cars are necessary for the living of Thai people because of its convenience and suitability with the facilities provided in the country. Competition in domestic

automobile market is very high. Most of the manufacturers keep launching new model of cars to compete for market share and results in temptation to consumers to purchase cars for replacement of an old one and also for new buyers in the market. Car leasing loan is one type of consumer loans which according to the Civil and Commercial Code Section 572 is mentioned that "Leasing is a type of contract that lessor rents out a property and promises to sell such property or transfer ownership to the lessee with the condition of installment payment" [10]. Lease contract is a kind of rent contract with the promise to sell such property, which is car in this case, after the lessee pays part of the payment and followed by periodical payment to the owner. And when payment has reached an agreed amount in agreed time period, lessor will transfer ownership of such property to the lessee.

Today there are many financial institutes established to specifically serve car leasing. Limitation of consumers' income and saving that is lower than price of the cars has made it necessary for consumers to use leasing service. Leasing in finance and securities companies generally has condition to approve loan 50%-70% of the car value and consumers are required to pay down payment (partial deposit) from their personal money. After that equal amount of installment payment is made by the buyer every month with the total period varies from 24-48 months in a fixed rate of interest without deducting from the principal. Therefore, actual interests being paid are much higher than the rate shown in the contract. Ownership of the cars will remain with seller until buyer finish all payment for the car and in some case the guarantor is required. Drawback of the leasing is actually high interest rate since this type of loan contains high risk. Car is easy to be moved anywhere and as a result make it difficult to follow in the case of repossession. Advantage of leasing is its simple procedure of approval since it is particularly meant for car purchase. Therefore, terms and conditions are usually fixed and the lessee can understand and make a decision right away. However, commercial banks are normally not interested in leasing because of its high risk comparing to other types of loan. Therefore,

leasing companies present all the terms and conditions to lessee including special offers in order to facilitate the decision making [8].

The growth of automobile market and car leasing business has caused the competition for leasing to continue. Finance and securities companies have high demand to promote their loan and lend out the money. In car leasing, collateral is a car itself which has high financial liquidity. Recently demand of car buyers for leasing service has increased because of lower rate of interest. In order to cope with high competition and to maintain market share, ABC Bank Limited with its 600 branches nationwide including its service at the point of sale has survived in the market in a good performance every year. Today, there are lots of competitors of ABC Bank Limited. Each of them comes up with marketing plan and strategy as well as marketing mix to differentiate themselves from the others and to strengthen their position in the market [2,7,15]. The researcher is therefore interested to study factors that have influences on consumers' choices for car leasing service of ABC Bank Limited. Results of the study shall be used as guidelines for improvement in car leasing service to match with consumers' needs.

A. Research Objectives

1. To study consumer behavior in choosing car leasing service of ABC Bank Limited.
2. To study factors that have influences on consumers' choices for car leasing service of ABC Bank Limited.

B. Conceptual Framework

For this study, the researcher applied concept of factors influencing customers' choices for car leasing service of ABC Bank Limited. Customers expresses their opinions toward car leasing service of ABC Bank Limited in the aspects including product, price, place, promotion, people, process, and physical evidence & presentation [4].

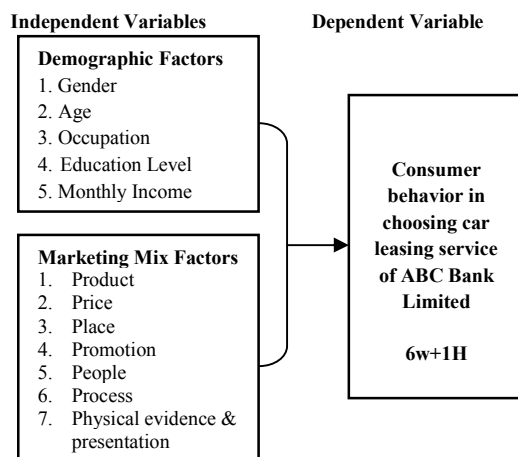


Figure 1. Conceptual Framework

II. LITERATURE REVIEW

Theory of marketing mix for service business consists of product, price, place, promotion, people, process, and physical evidence & presentation.

III. RESEARCH METHODOLOGY

The research was conducted by surveying from 200 samples of ABC Bank Limited's leasing customers. Questionnaire was used as a tool for data collection. It consists of 4 parts as follows:

- Part 1 and part 2 contain close-ended nominal scale questions in which respondents can choose only one choice that best represents their answer. Part1 is about general information of the samples i.e. gender, age, education, occupation, and monthly income. Part2 concerns data about consumer behavior in choosing car leasing service of ABC Bank Limited including 10 questions on frequency of the service, condition of the car purchased, type of car loan, price of the car, credit amount approved, period of the lease, installment amount, past record on pending debts, and influencing person in their decision making [3,12,13,14].
- Part3 asks respondents about their opinion on factors that may have influences on consumers' choice for car leasing service of ABC Bank Limited in 7 aspects including product, price, place, promotion, people, process, physical evidence & presentation. Questions are Likert's 5-level rating scale questions.
- Statistics used to analyzed data were percentage, mean, t-test, One-Way ANOVA, and Regression. Each level is identified in ranges of means as follows. Mean 4.51-5.00 indicates highest level of satisfaction. Mean 3.51-4.50 indicates high level of satisfaction. Mean 2.51-3.50 indicates medium level of satisfaction. Mean 1.51-2.50 indicates low level of satisfaction. And mean 1.00-1.50 indicates the least level of satisfaction.
- Part4 includes open-ended questions about opinion and useful recommendation from respondents.

IV. FINDINGS

A. Demographic data of the respondents

The study discovered that out of 200 samples most of them were male age 31-40, graduated Bachelor's degree, working in private companies with monthly income above 20,000 Baht.

B. Data about consumer behavior in choosing car leasing service.

The study found that most of them need brand new passenger cars, used service of the bank once, price

of the cars purchased is between 300,001-600,000 Baht, credit amount latest approved is 400,001-700,000 Baht, the amount of credit approved equals to the amount required in the loan application, latest period of the lease is 60 months, installment amount is between 5,001-10,000 Baht, no record of bad debt, and decision making is done by themselves.

C. Data about factors that have influence on customers' choices for car leasing service.

The study discovered that all 7 factors including product, price, place, promotion, people, process, and physical evidence & presentation can be explained as follows.

- Product. Most of the respondents gave high level of measurement on reputation of the company, loan offered match with personal needs, service reliability, worthiness of the service, and variety of loan types respectively.
- Price. Most of the respondents gave high level of measurement on low interest rate, price of the lease is affordable, price of the lease is comparably cheaper than other places, appropriate charges applied, and small amount of down payment respectively.
- Place. Most of the respondents gave high level of measurement on location that is near to the house or work place, convenience in contacting the bank, off-site service, many branches are available, easy to travel, adequate parking space, location in community, and ability to contact through internet respectively.
- Promotion. Most of the respondents gave high level of measurement on advertisement on media such as radio, television, billboard, discount for early installment payment, privilege for current customers, and staffs are able to give advice off-site on some particular occasion respectively.
- People. Most of the respondents gave high level of measurement on manner and courtesy of staffs, understanding of customers' needs, honesty and reliability, skills and knowledge, effective in work, equal treatment to customers, and proper dressing & good character respectively.
- Process. Most of the respondents gave high level of measurement on convenience and speed in credit approval, appropriate working hours, installment payment is convenient and fast, accurate working, good communication and easy to understand, simple terms and conditions in lease contract, good system to follow up installment payment, simple procedures in general, continuous improvement, and adequate number of servicing staffs respectively.
- Physical evidence & presentation. Most of the respondents gave high level of measurement on air circulation, sufficient illumination, cleanliness of the service place, uniqueness of the place, sign boards are clear and attractive, wide area and no congestion, sophisticate office equipment, and modern & nice decoration of the place respectively.

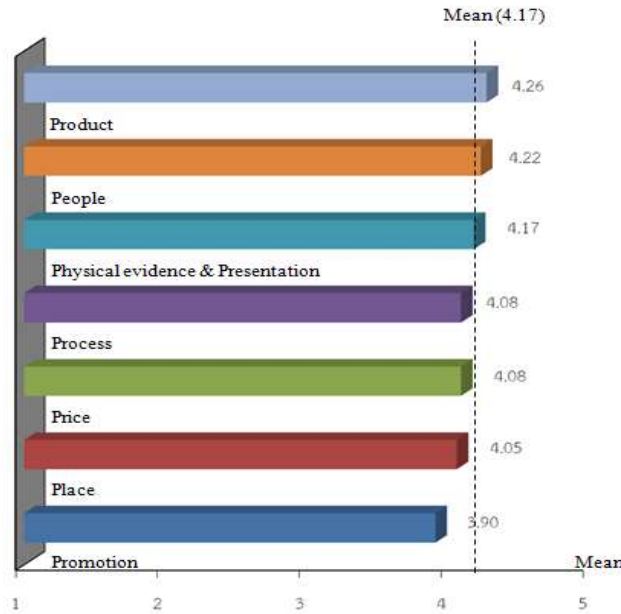


Figure 2. Decision making on factors that influence consumers' choices for car leasing service of ABC Bank Limited

Hypothesis test results

The researcher has set the following hypothesis.

1. Demographic factors have influence on consumer behavior for choices of car leasing service of ABC Bank Limited. The result showed that gender, age, education, and monthly income did not have any influence while occupation did.
2. Marketing mix factors have influence on consumer behavior for choices of car leasing service of ABC Bank Limited. The result showed that price, people, and physical evidence & presentation did not

have the influence while product, place, promotion, and process did.

TABLE I
COMPARES INFLUENCES OF OCCUPATION
ON CONSUMER CHOICE FOR CAR LEASING
WITH ABC BANK LIMITED

Significance	Sum of Squares	df	Mean Square	F	Sig.
Between Group	2.693	4	0.673	2.703	0.032
Within Group	48.576	195	0.249		
Total	51.269	199			

TABLE II
MULTIPLE REGRESSION ANALYSIS OF MARKETING MIX FACTORS INCLUDING PRODUCT,
PLACE, PROMOTION, AND PROCESS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.086	.359		.241	.810
1 Product					
Reliability of the service	-.203	.092	-.160	-2.204	.029
2 Place					
Location in community	.154	.069	.139	2.219	0.28
3 Promotion					
Staffs give advice off-site	-.180	.067	-.182	-2.682	.008
Discount for A-grade customers	.160	.079	.180	2.033	.044
4 Process					
Standard system of work	.360	.089	.358	4.042	.000
Proper payment follow up system	.186	.078	.167	2.377	.019
Sufficient staffs available	.181	.090	.161	2.006	.047

V. DISCUSSION

The researcher has interesting points that worth discussion as follows:

Demographic factors have influence on consumer behavior for choices of car leasing service of ABC Bank Limited [9]. Occupation has influence on consumer behavior for choices of car leasing service of ABC Bank Limited. This may be caused by the knowledge of person especially those whose work is related to loan. This finding is in accordance with the research of Somphorn Klinphaetkit that found different occupation to have different influences on the choices of loan [11].

Marketing mix factors have influence on consumer behavior for choices of car leasing service of ABC Bank Limited.

1. For product, overall mean was in high level. This can be the result of reputation of the company, loan offered match with personal needs, service reliability, worthiness of the service, and variety of loan types. This is similar to the research of Juthamas Netrassamee about factors affecting consumer decision making for car leasing service of TISCO Bank Public Company Limited, Chiang Mai Branch which found that the Bank's customers paid attention to all 7 dimensions in high level with the first priority given to product, followed by price, process, place, people,

- promotion, and physical evidence & presentation respectively [5].
2. For place, overall mean was in high level. This is because of readiness of the place and sufficient space to wait for the service. This result resembles that of Anirut Therdthamphaisarn which revealed that customers care very much about a place to wait for the service [1].
 3. For promotion, overall mean was in high level. Advertisement on media such as radio, television, billboard, discount for early installment payment, privilege for current customers, and staffs are able to give advice off-site on some particular occasion are all important in accordance with the research of Khanaphot Chairat which found that most of the customers make the decision because of low interest rate and receiving news and information from advertisement of the bank [6].
 4. For process, overall mean was in high level because of fast service such as loan approval. This finding resembles that of Juthamas Netrassamee which found customers to focus on processes especially fast approval of the loan [5].

VI. RECOMMENDATIONS

The researcher would like to suggest the following recommendations:

From the research on factors that have influence on consumers' choice for car leasing service of ABC Bank Limited, the researcher has recommendation for improvement of the car leasing service by applying consumer behavior learned from this research as follows:

1. Customers mostly have opinion toward product in high level for reputation of the company. Therefore, administrative officer should pay attention to maintaining image of the bank while promoting more by using advertisement to make customers recognize more about the bank.
2. As customers have high opinion toward place in aspect of location that is near to house or work place, administrative officers should focus on expanding more channels to reach more customers such as direct marketing or telemarketing.
3. Customers have opinion toward promotion in high level for advertisement on media such as radio, television, and billboard, administrative officers should encourage more of such advertisement to cover wider area and more number of people.
4. As customers have opinion toward process in high level for fast approval of loan, administrative officers should be aware of

importance of the process and try to response to customers' needs in a prompt manner in every procedure.

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