MBA Global - Group Project

The role of Social Media in influencing consumer purchasing decision

CASE STUDY OF AUTOMOBILE INDUSTRY IN SAUDI ARABIA

Note: This is a sample from the final presentation, which contains only work done by Ehab Mohamed.

Agenda

- Business Problem

- Conceptual Framework

- Quantitative Analysis

- Conclusion

Business Problem

- Social media became a two-way street between consumers and marketers.

- Social media consumers are looking for more experiences and engagement.

- 52% of marketers believe their brands enjoyed significant influence because of social media.

- However, 17% only see that social media is aligned into their marketing strategies.

- Social media return can't be quantified or measured.

- Consumer expectations are high.

- Gap between what consumers want and what they get from brands online.

- An opportunity for social business advantage.

- Brands need to know how to properly utilize the social media platforms.

(CMO Council, 2011)

McKinsey Funnel Model

McKinsey funnel model illustrates the Consumer Decision Journey which represents the decision-making process or the purchase funnel.

- **Initial consideration set:** the consumer considers an initial set of brands, based on brand perceptions and exposure to recent touch points.

- **Active evaluation:** consumers add or subtract brands as they evaluate what they want.

- **Purchase:** the consumer selects a brand at the moment of purchase.

- **Postpurchase experience:** the consumer builds expectations based on experience to inform the next decision journey.

- **Loyalty loop:** the consumer loyalty after purchasing which influence the new consumer decision making process.
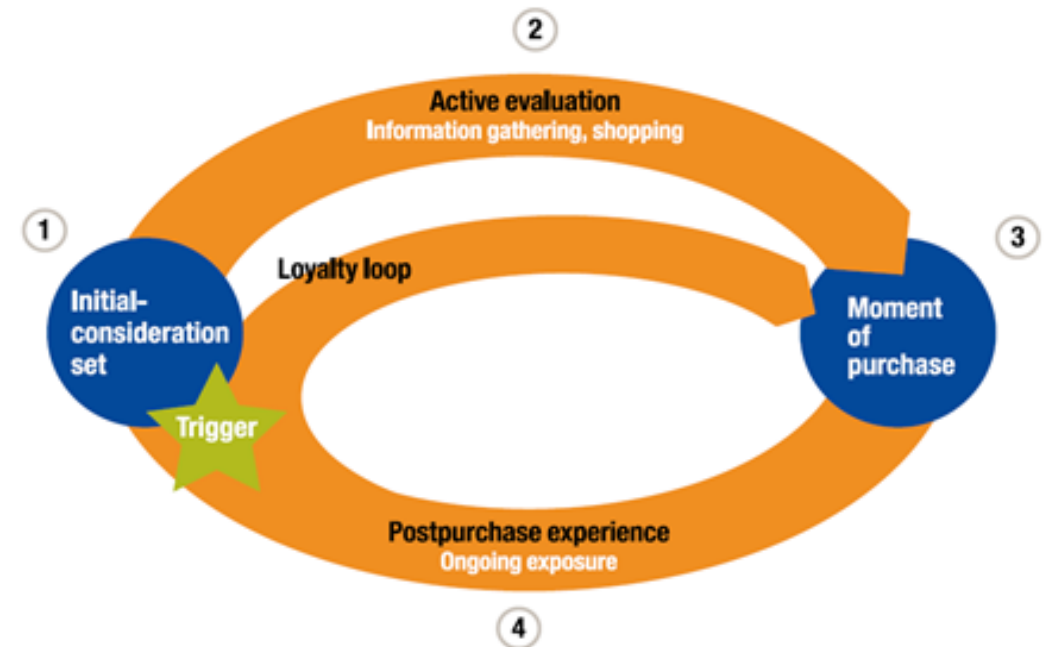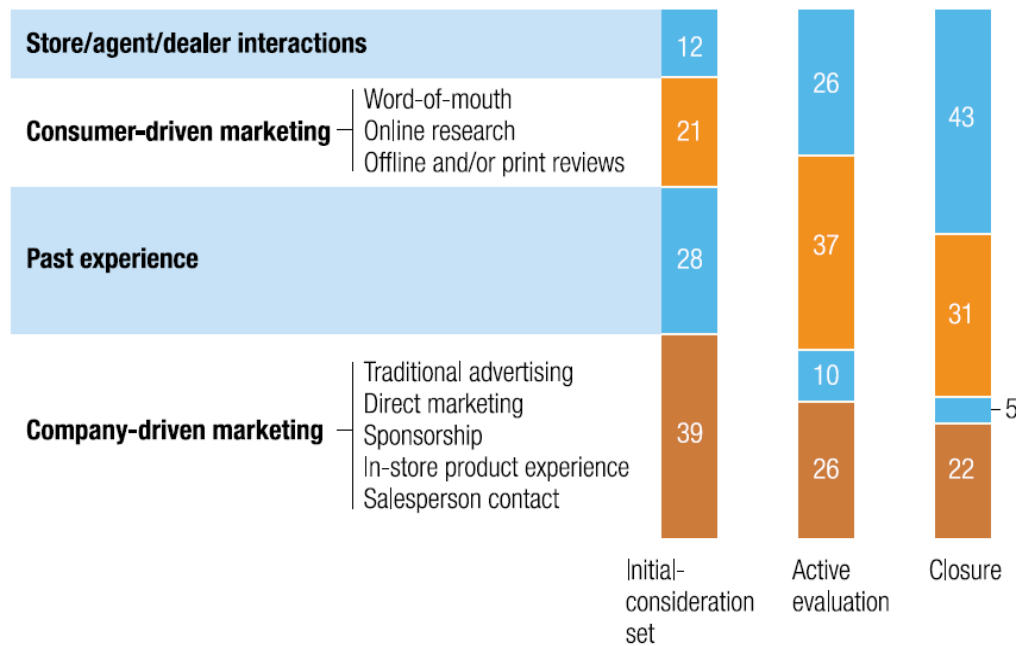

(Court *et al.*, 2009)

Consumer-Driven Marketing and Their Consideration Set

Two-thirds of the touch points involve consumer-driven marketing activities during the active evaluation phase.

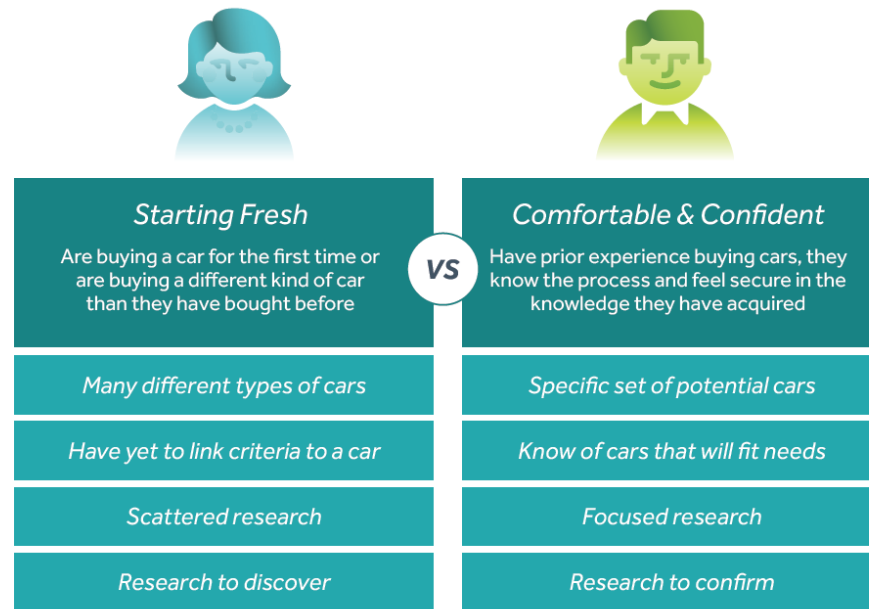Variety of influences may shape the consumer consideration set:

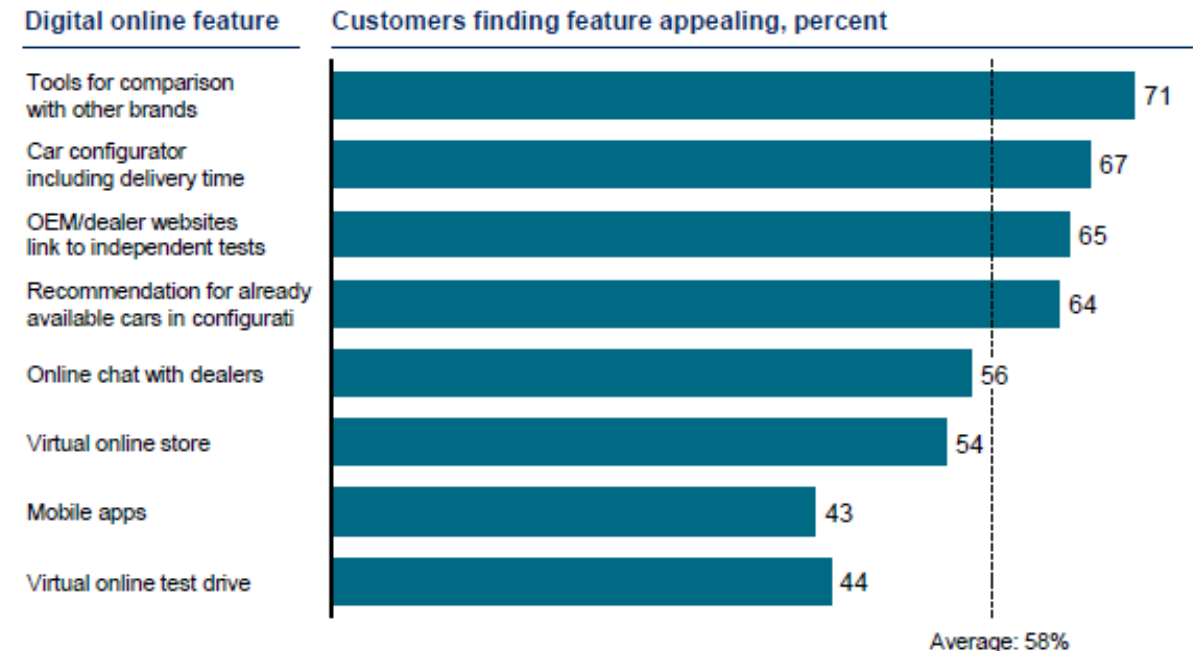(Court *et al.*, 2009)

(Cars.com, 2014)

Consumers Types and Internet

Consumers can be categorized in two primary types.

What digital features found appealing by customers?

Starting Fresh
Are buying a car for the first time or are buying a different kind of car than they have bought before

vs

Comfortable & Confident
Have prior experience buying cars, they know the process and feel secure in the knowledge they have acquired

Starting Fresh	Comfortable & Confident
Many different types of cars	Specific set of potential cars
Have yet to link criteria to a car	Know of cars that will fit needs
Scattered research	Focused research
Research to discover	Research to confirm

Digital online feature	Customers finding feature appealing, percent
Tools for comparison with other brands	71
Car configurator including delivery time	67
OEM/dealer websites link to independent tests	65
Recommendation for already available cars in configurati	64
Online chat with dealers	56
Virtual online store	54
Mobile apps	43
Virtual online test drive	44

Average: 58%

(Cars.com, 2014)

(Camplone *et al.*, 2013)

Quantitative Analysis

- Online Survey with 30 questions was sent to consumers in Saudi market and got 109 responses.

- Survey responses were consolidated on one Excel Sheet and analyzed using two methods of statistical analysis:
  - Exploratory data analysis:
    - Analyse response dataset to visually summarize the main characteristics of it.
  - Correlation analysis:
    - Find out the relationships among different variables (survey answers).
    - The correlation coefficient is a measure of linear association between two variables.
    - Values of the correlation coefficient are between -1 and +1.
    - The empirical covariance of pairs of data (X_i, Y_i) is:

$$Cov(X, Y) = \frac{1}{n-1} \sum_{i=1}^{n} (X_i - \bar{X})(Y_i - \bar{Y})$$

    - The correlation is defined as:

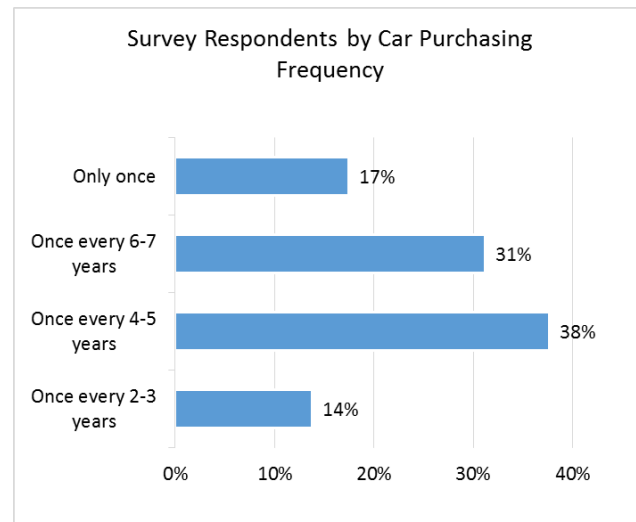$$Cor(X, Y) = \frac{Cov(X, Y)}{S_x S_y}$$

    - Sx and Sy are the estimates of standard deviations for the observations and observations, respectively.
    - R software for statistical computing is used for cleaning data and calculating the correlations values.

Demographics

Survey Respondents by Age
- 40-50 Years old 13%
- 21-30 Years old 24%
- 31-40 Years old 63%

Survey Respondents by Gender
- Female 6%
- Male 94%

Survey Respondents by Marital Status
- Single 16%
- Married 84%

Survey Respondents by Car Purchasing Frequency
- Only once 17%
- Once every 6-7 years 31%
- Once every 4-5 years 38%
- Once every 2-3 years 14%

Survey Respondents by Number of Owned Cars
- 1 Car 50%
- 2 Cars 25%
- 3 Cars 13%
- 4 Cars 10%
- more than 5 3%

Social Media Usage

Social Media Usage

- Reading news — 74%
- Searching information — 65%
- Socializing — 62%
- Sharing information — 54%
- Sharing consumer experience — 36%
- Online purchasing — 32%
- Increasing product awareness — 19%
- I do not use social media — 1%

Social Media Platform Regularly Used

- WHATSAPP — 86%
- YOUTUBE — 83%
- FACEBOOK — 69%
- LINKEDIN — 51%
- TWITTER — 50%
- INSTAGRAM — 27%
- Online Forums — 23%
- GOOGLE+ — 22%
- SKYPE — 21%
- MESSENGER — 14%
- PINTEREST — 4%
- line — 1%
- BADOO — 1%
- Snapchat — 1%
- Spark — 1%

Social Media Usage Frequency

- Everyday — 84%
- Three times per week — 13%
- Once per week — 2%
- I do not use social media — 1%

Purchasing Decision

Why consumers want to buy a new vehicle?

Looking for comfort and luxury	40%
Old car was always in for repairs	28%
Needed another car for the family	27%
Wanted a vehicle with better safety features	27%
Old car had high mileage	23%
I wanted something new	19%
Needed a vehicle with more room	19%
Tired of the old car	19%
Like the styling of the new models	18%
Wanted 4x4 vehicle for off-road	15%
Old car just died	11%
Wanted a vehicle with new "techy toys"	9%
Recent employment promotion	5%
Financing deals/incentives too good to pass up	4%
Wanted a car with better gas mileage	3%

How consumers make their car buying decisions?

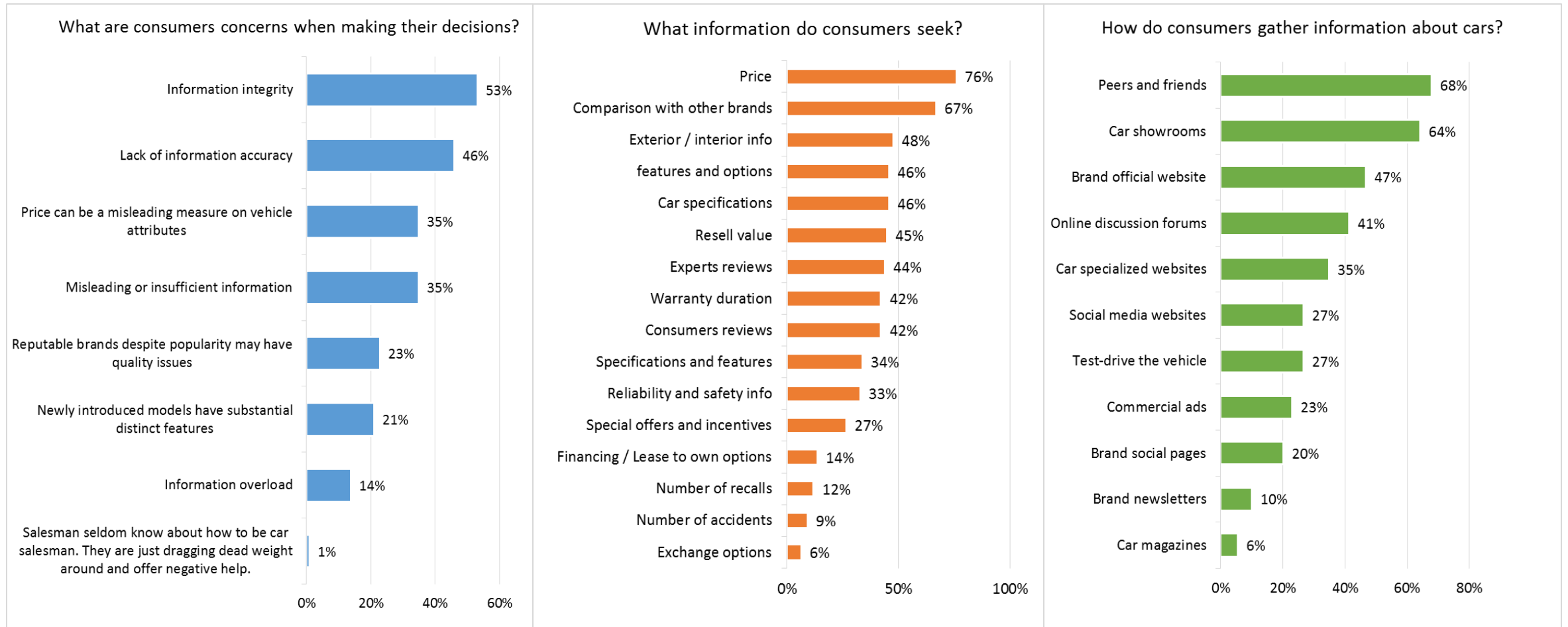|	
Compare car models across different makes	67%
Research pricing of car models and makes	55%
Visit car showrooms and seek information	50%
Read car reviews	50%
Look at exterior / interior photos	47%
Peers and friends feedback	46%
Visit brand website for car specifications and features	44%
Watch experts reviews	37%
Test-drive the vehicle	30%
Find info about special offers and incentives	26%
Research reliability and safety info	23%
Evaluate trade-in value	19%
Examine latest technology features	17%
Request price from a dealer	14%
Locate / find a specific vehicle to purchase	12%
Locate a dealer	11%
Read car magazines	6%
Watch commercial advertisements	6%
i have had my budget and based on that I start my…	1%

What drives consumers decision making?

Price and value for money	66%
Quality and durability	64%
Recommendations	46%
After sales service	43%
Specifications and features	40%
Expert reviews	39%
Resell value	30%
Duration of warranty	28%
Brand loyalty	26%
Reputation of the manufacturer and number of recalls	22%
Social prestige	19%
Word of mouth	16%
Inspiration	11%
Financing / Lease to own options	8%
Availability of exchange options	7%
Advertisements	2%
Value for money	1%

Purchasing Decision (Continue)

What are consumers concerns when making their decisions?

Concern	%
Information integrity	53%
Lack of information accuracy	46%
Price can be a misleading measure on vehicle attributes	35%
Misleading or insufficient information	35%
Reputable brands despite popularity may have quality issues	23%
Newly introduced models have substantial distinct features	21%
Information overload	14%
Salesman seldom know about how to be car salesman. They are just dragging dead weight around and offer negative help.	1%

What information do consumers seek?

Information	%
Price	76%
Comparison with other brands	67%
Exterior / interior info	48%
features and options	46%
Car specifications	46%
Resell value	45%
Experts reviews	44%
Warranty duration	42%
Consumers reviews	42%
Specifications and features	34%
Reliability and safety info	33%
Special offers and incentives	27%
Financing / Lease to own options	14%
Number of recalls	12%
Number of accidents	9%
Exchange options	6%

How do consumers gather information about cars?

Source	%
Peers and friends	68%
Car showrooms	64%
Brand official website	47%
Online discussion forums	41%
Car specialized websites	35%
Social media websites	27%
Test-drive the vehicle	27%
Commercial ads	23%
Brand social pages	20%
Brand newsletters	10%
Car magazines	6%

Social Media Decision Support

If the information consumers seek to purchase a car was available through social media would they use it?

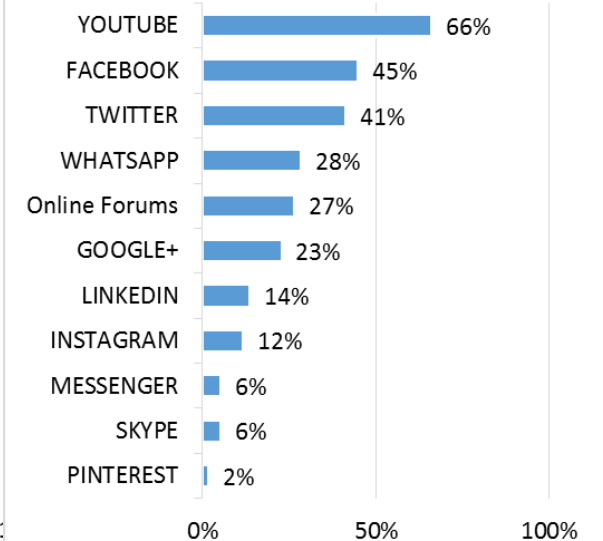No, 16%

Yes, 84%

What are consumers interested in when they use Social Media?

People experience	77%
Consumer reviews and...	61%
Information about products	49%
New technologies	44%
Live updated news	44%
Information availability	37%
Multiple video resources	34%
Depth of information	28%
Information reliability	23%
Information diversity	23%
Information integrity	18%

0%   50%   100%

What features would consumers like to see on social media to help them make their decision?

Detailed comparison of brands	69%
Expert feedback	63%
Actual consumers reviews	53%
Video resources	47%
Products and brands analysis	34%
Authenticity of comments	33%
Global updates on car news	29%
Online forums for existing owners	27%
Dealer locations	26%
Information on future features	23%

0%   50%

Which Social Media platform consumers on it find relevant information?

YOUTUBE	66%
FACEBOOK	45%
TWITTER	41%
WHATSAPP	28%
Online Forums	27%
GOOGLE+	23%
LINKEDIN	14%
INSTAGRAM	12%
MESSENGER	6%
SKYPE	6%
PINTEREST	2%

0%   50%   100%

Social Media Evaluation

Do consumers think Social Media played an important role in their purchasing journey?
- No, 30%
- Yes, 70%
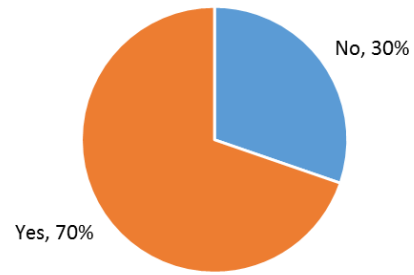
Would consumers trust reviews on Social Media or friend recommendations?
- Reviews on Social Media, 57%
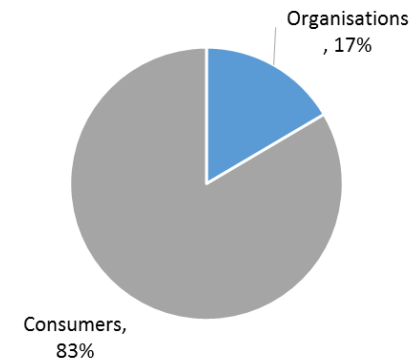- Friend recommendations, 86%
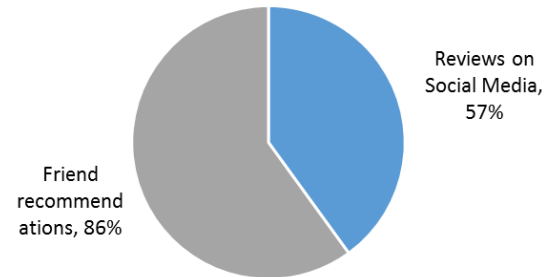
Would consumers trust promotions on social channels if it was from a particular car company?
- No, 35%
- Yes, 65%
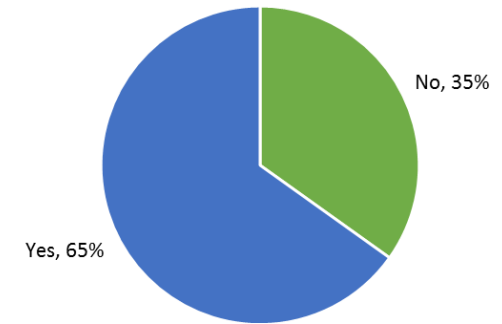
Do consumers think recommendations need be driven by consumers or organisations?
- Organisations, 20%
- Consumers, 80%
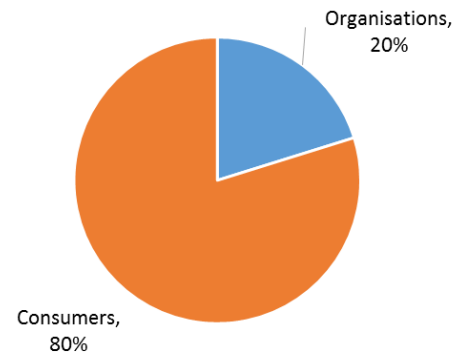
Who do you trust more, consumers or organisations?
- Organisations, 17%
- Consumers, 83%

Group A - Social Media Platform and Sought Information Hypothesis

	Overall	Age group			Purchase frequency group (Years)			
		21-30	31-40	40-50	Only once	Once every 6-7	Once every 4-5	Once every 2-3
A.H1: Consumers who seek **car specifications, features and options** information tend to find cars relevant information on **Facebook**.	√ 0.06	√ 0.13	√ 0.02	√ 0.29	√ 0.47	√ 0.34	X −0.18	X −0.46
A.H2: Consumers who seek **comparison with other brands** information tend to find cars relevant information on **YouTube**.	√ 0.03	X −0.18	√ 0.13	X −0.21	√ 0.01	X −0.16	√ 0.22	X 0
A.H3: Consumers who seek **consumers reviews** tend to find cars relevant information on **Facebook**.	X −0.14	√ 0.04	X −0.22	X 0	X −0.09	√ 0.15	X −0.47	√ 0.07
A.H4: Consumers who seek **consumers reviews** tend to find cars relevant information on **LinkedIn**.	√ 0.14	√ 0.07	√ 0.14	√ 0.25	√ 0.39	√ 0.33	X −0.05	X −0.04
A.H5: Consumers who seek **experts reviews** tend to find cars relevant information on **YouTube**.	√ 0.05	X −0.22	√ 0.09	√ 0.41	√ 0.05	X −0.05	√ 0.23	X −0.22
A.H6: Consumers who seek **experts reviews** tend to find cars relevant information on **Facebook**.	X −0.06	X −0.2	X −0.03	√ 0.14	√ 0.26	√ 0.2	X −0.27	X −0.46
A.H7: Consumers who seek **price** information tend to find cars relevant information on **Twitter**.	√ 0.08	X 0	√ 0.05	X 0	√ 0.37	√ 0.06	√ 0.13	X −0.34
A.H8: Consumers who seek **price** information tend to find cars relevant information on **Facebook**.	X −0.01	√ 0.09	X −0.08	X 0	X −0.17	√ 0.23	X −0.16	X −0.04
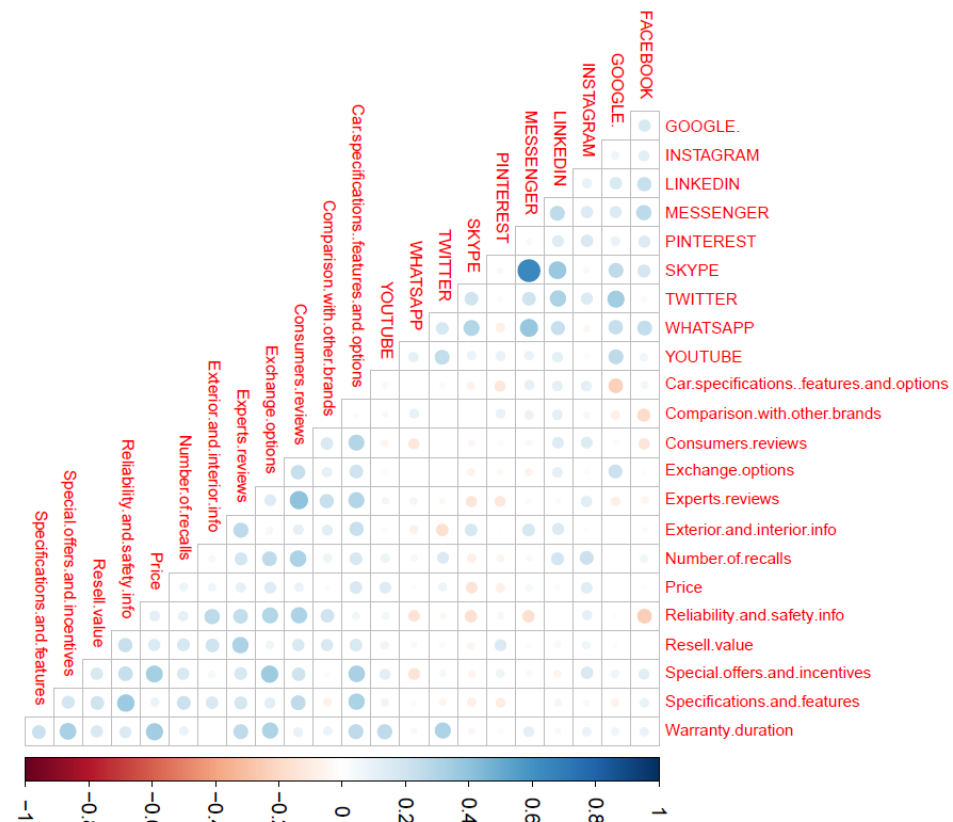
Conclusion

- Qualitative and quantitative analysis held in the project yields to highlight important insights including (but not limited to):
  - How do consumers take their purchasing decisions?
  - What role does social media play in their purchasing journey?
  - How do consumers evaluate social media?
  - The correlation between the features consumers are looking for and the information they seek.
  - The correlation between the social media consumers find relevant information on and the information they seek.

- Social media successful characteristics and features which attract consumers are already operating independently.

- This causes a gap between what brands publish and what consumers receive from independent resources.

- In order to decrease this gap, brands are required to penetrate these independent social media channels and interact directly with consumers.

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