

## **Exercises 8**

Why Buying a Car is more beneficial in most of  
the case compared to Leasing a Car

**Khai Phan Thanh - 100901164**

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## 1 Research Question

Leasing or buying a car has been debated for decade and there are many pros and cons on each side and depends about every person to decide what will suite the most. On average, every car owner will change or upgrade their car in about 71.4 months [2] and for car enthusiast, the time is even shorter. With that context, I would like to develop my research to compare the Pros and Cons between Leasing and Buying, especially between New and Used vehicles. Specifically, I would like to prove my research for the point of Buying a car is always a better option.

## 2 Hypothesis and Variable

My original hypothesis would be that: "Buying will give a better advantage to car owner than Leasing". However, due to some factor consideration and fairness, my original hypothesis would only be true for most of the scenarios. In some very specific scenarios, Leasing could actually better, such as Leasing for testing before buying, Leasing for short-term, then Buying isn't a suitable option.

Based on my hypothesis, there are some Independent and Dependent variable that can contribute and affect it. Dependent variable such as car brand will strongly affect on the person who deciding on the car. Some studies shown that customer tend to prefer buying option when it comes to reliable brand such as Toyota, Honda, Lexus or Acura. Based on [1] and [3], Luxury and High-end car brand such as Audi, BMW, Mercedes-Benz, etc., generally has higher percentage of leasing rate compared to buying rate, and the gap is even bigger when more urban area. One main reason to explain this is because luxury brand doesn't hold as much value as affordable brand like Toyota or Honda when it comes to reselling. since the market for luxury brand is very small.

Some Independent variable like the average time a person change a car, the brand and type of car and maintenance. What could happen here is that, some affordable brand such as Toyota or Honda still have some expensive car when it comes to trim option and customization, but because they are holding the value better and maintenance fee is lower compared to other car brand (same price), it would make much sense to buy instead of leasing. Since maintenance cost is low, car owner will perform maintenance more often and therefore help to keep the car run longer and smoother. With that, car owner are less likely to change or upgrade the car unless something else kick in, like new design, features or technology.

There are a few more Independent and Dependent factor that I could use to support my hypothesis. However, for simplicity, I will use the above as part of my variables for the Experimental.

### 3 Experimental Design

Because this topic has been discussed widely on the Internet, it is easy to gather the source for each part to support the conclusion. However, I would conduct an experiment on my own to ensure what I am getting is consistently with the secondary data result I found online. The ideal experiment is to have 2 group of car owner, between luxury brand vs. normal brand. The population will be range from aged 20+ up to 65. Before conducting any result, I do expect to see a trend of buying car, starting with normal brand in between age of 20-50 and continue to go with luxury brand in age 50+.

The style I will be using is as a survey, where the question is the same regards to car brand. The goal and target of this survey is to have as many closed answer question as possible (such as Yes/No, True/False, fixed answer) or some question that doesn't have user typing too much. Reason for doing so is because research participant will most likely to spend time doing a survey that is easy and straightforward, without any thinking or trying to understand the question (unless they really want to share the opinion) Some of the question could be:

1. What is your current car make and model?
2. What was your age when you get the car?
3. Did you buy it or lease it? What was your reason for the selection?
  - (a) If buy, How long are you expect to use the car?
  - (b) If lease, How long is your lease term?
4. If you get to choose between buying or leasing your current car again, would you change your method?
5. Between an entry-level of a luxury car brand vs. a top-of-the-line of a normal car brand, which one would you choose?
6. Do you think buying a car is always better than leasing/renting a car? If possible, please explain your reasons.

With that ready, the survey will be fair enough that follow the double-masking study, which the research participant and the person who assess the outcome doesn't know which answer belong to which person

### References

- [1] What percentage of luxury cars on the road are leased? - Quora.
- [2] Buying a Car: How Long Can You Expect a Car to Last?, June 2019.
- [3] admin. Luxury Car Leasing Explained - by LeaseGuide.com, July 2021. Section: articles.