

Does Car Brand affect buying/leasing decision of customer?

Khai Phan Thanh, 100901164

Seneca College, BSD Program - BTR820 (Research Methodologies Project)

Introduction

On average, every car owner will change or upgrade their car within 71.4 months [7] and it can even be shorter for car enthusiasts. There are many reasons why car owners would like to replace their old car for a new, better equipped one, due to novelty design, state-of-the-art technology, gas-saving, etc [10]. Because of that, Leasing or buying a car has been a debating issue for decades and there lies numerous pros and cons on each side in which they are considered based on a person’s needs.

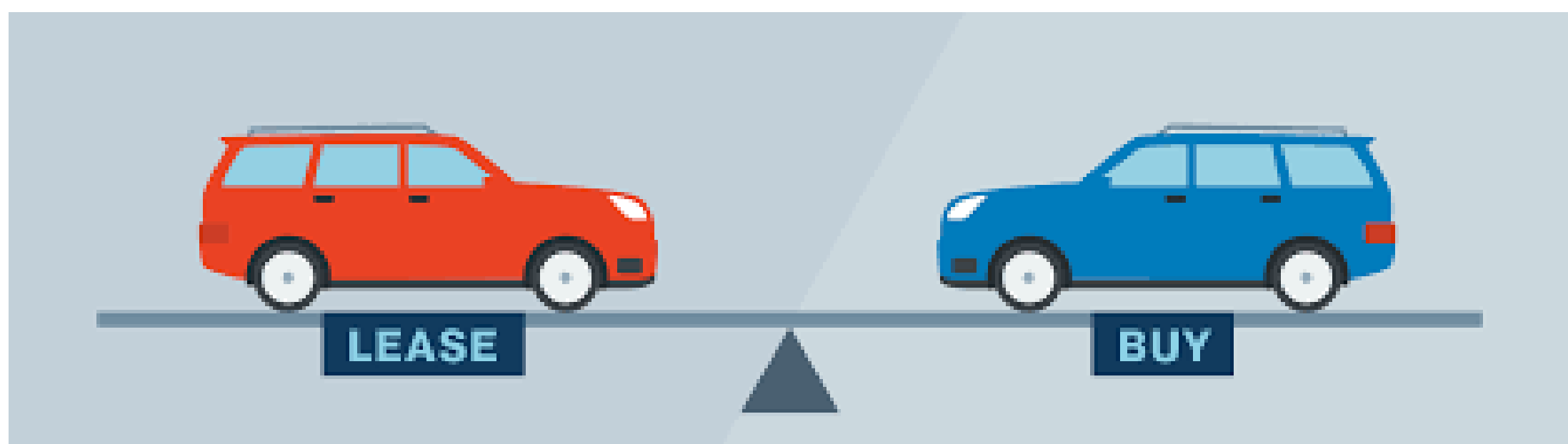


Figure 1:Image about leasing and buying [2]

Literature Review

It has been known that car brand and cost are two major factors that affect this important decision [4, 11].As time goes on, a car would lose its value cumulatively [3] and require extensive maintenance to ensure its performance and endurance on the road. Brands like Honda or Toyota has reputation known for their reliability, cheap maintenance and hold the value well, but in exchange for basic features. Luxury brands like BMW or Audi has reputation known for their luxurious, spacious vehicles, with loaded modern features, but it comes with a cost of hefty maintenance. One main reason why luxury tends to lose more value over regular brands is because regular brands is cheaper to buy as well as maintenance in the long term, therefore it fits more buying target than luxury brands. In the same 10 years life span, regular brands might cost as low as 5 times yearly compared to luxurious brands.



Figure 2:A person getting a new vehicle at dealer [6]

References

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Methodology

Research Question

Does car brand influence the decision of buying or leasing for person who is shopping for a car?

Hypothesis

Regular car brands will have more buying rate compared to luxurious brands. Regular car brands has a much better affordable pricing that fits to more buying groups while luxurious seems to distinct themselves for high-class people.

Variable

Cost and Brand are the key aspects that influence a customer’s buying decision. Dependent variables such as car brand would strongly determine which criteria a customer may choose. According to LeasingGuide.com, Luxury brands such as Audi, BMW, Mercedes-Benz, etc. generally have higher percentage of leasing rate compared to buying, and the gap is even bigger among urban areas [8]. Luxury brands also do not hold as much values as Regular brands like Toyota or Honda when it comes to reselling, since the market for luxury car brand consumption is relatively minor, partly due to leisure needs. Other Independent variables are the average time a person change a car, the brand, type of car and maintenance. There is a possibility that affordable brands like Toyota or Honda still have some expensive cars when it comes to trim options and customization, but because they are holding the great values and low maintenance fee compared to other car brands (same price), it is more ideal to buy the vehicle instead of leasing it. With the low maintenance cost, car owners may perform maintenance more frequently and therefore, helps keeping the car performs longer and smoother.

Luxury Car Leasing Rate	2011	2016
Audi	40	50
BMW	49.7	57
Cadillac	42.2	41
Land Rover	35.7	36
Lexus	39.2	57
Mercedes-Benz	55.8	53

Table 1:Leasing Rate in 2011 vs.2016, Source from CarAndDriver[9] & TheTruthAboutCar[5]

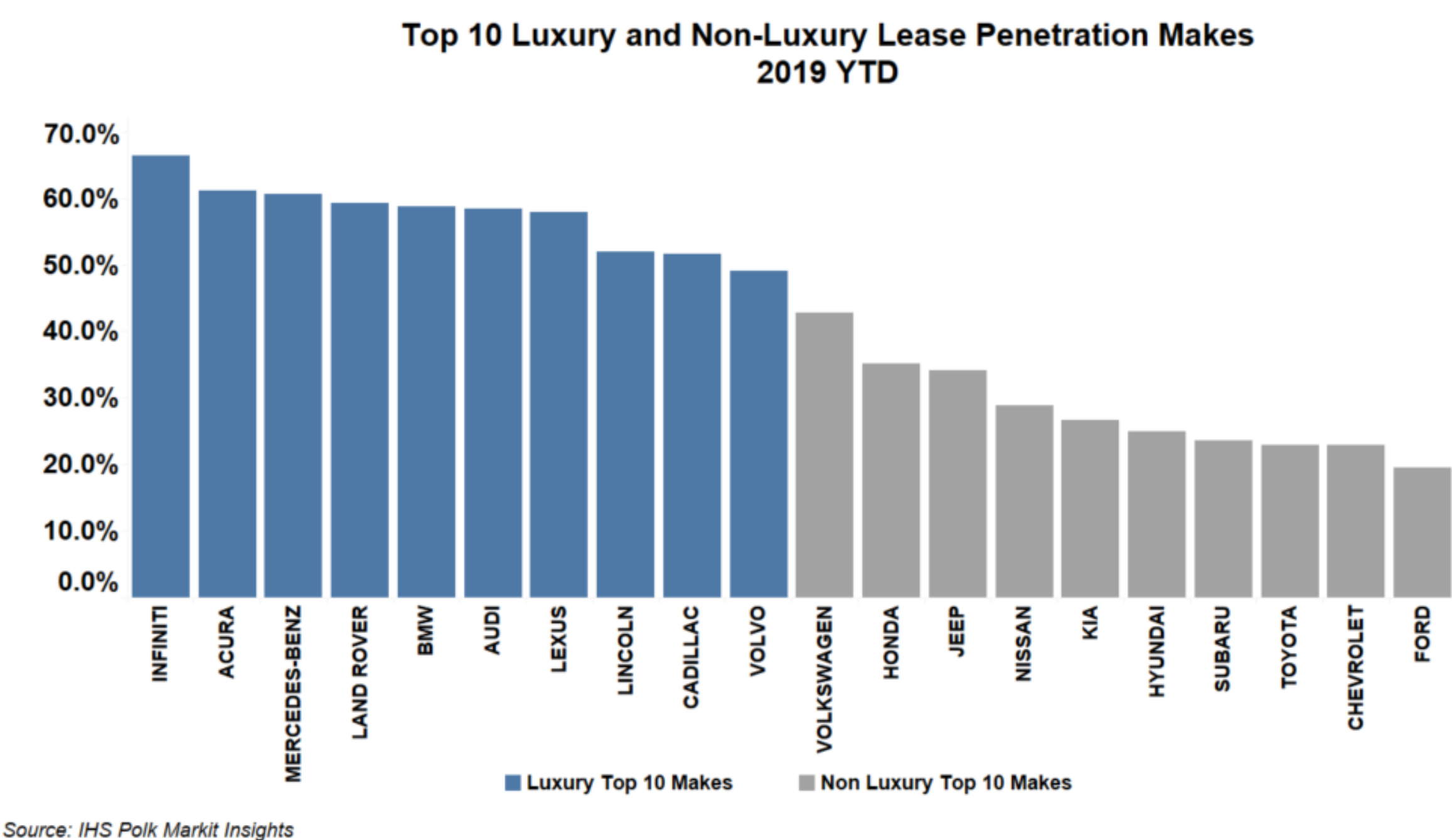


Figure 3:Leasing rate of popular car manufacturer in 2019 [1]