

Brand reputation important for low-cost vehicle purchases

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One in every three South African owners rated price as the most important purchase decision influencer, according to a recent study conducted by Ipsos. Price is followed by brand reputation, with roughly 16% of car owners placing great importance on the latter aspect.

This indicates that although price matters; vehicle quality, pre- and post-sales service (which contribute to brand reputation) are a key consideration for local automotive purchases; including lower-costing, 'entry level' buys. Adding to this, a review of official sales figures for the period October 2013 to March 2014 revealed that the more established, entry level automotive brands grew market share - of between 1% and 6%. This is in contrast with lower-priced, new entrant brands which recorded losses in market share ranging between -1% and -4% during the same period.

It therefore appears that even for low-cost vehicles, South African consumers prefer to buy a car with 'good return' in terms of durability, dependability and trade-in value. In some cases, opting for the lower priced, new entrant brand can come with drawbacks, such as limited service and warranty plans. A few of the new entrants, low cost automotive suppliers, offer three-year/45,000km service plans as compared with the more established automotive brands that offer five-year/100,000km service plans for new vehicle purchases (and this includes their entry-level models). Some of the new, lower-priced entrants are also much lighter on innovation and do not have boot lights, electric windows or radio.

According to Klaus Paur, Head of Ipsos' Global Automotive, "Consumers within recession-plagued and emerging markets look for the famous 'value-for-money' offer by demanding practical functionality while skipping on non-essential gadgets. To avoid negative image effects caused by these stripped down versions, some vehicle makers have an interest to protect the core marque, and launch their low cost offering under a different (budget) brand."

In South Africa, it would be a wise approach to follow for those leading automotive brands suffering a decline in sales volumes in their new entrant brands during the October 2013 to March 2014 period. With consumers prioritising quality, leading global suppliers have adopted an approach that has seen them manufacture market-entry-level models that carry the car maker's brand and are produced at quality standards similar to their higher level model ranges. Based on experiences in the developed world and other developing markets, the more established automotive suppliers are convinced that the adoption of this strategy is expected to deliver success within entry-level markets where price and brand reputation are the most important purchase decision influencers.

By James Maposa and Klaus Paur.

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