

## Factors Influencing Japanese Decision Makers in Thailand When they Purchase Capital Measurement Equipment for Automotive Industry

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### Abstract

*The business-friendly environment in Thailand has encouraged many foreign businesses to invest in the nation especially in auto industry. Japanese investors have most of the market share in foreign direct investment that counts for 36.2% of total FDI (Supakorn and Udomthanayong, 2020). The Japanese investor invests in capital goods then ship finished products from Thailand to other nations. Therefore, suppliers need to understand how Japanese go about purchasing all these products, as a result the research objective is to figure out factors driving Japanese purchasing behavior when it comes to buy capital equipment for the automotive industry in Thailand. Hence, the sampling framework includes Japanese capital equipment decision-makers in Thailand.*

*The conceptual model is hypothesized as second-order and third-order latent construct Structural Equation Modelling (SEM). Independent variables include 7Ps, brand, relationship, financing, three second-order latent factors and one third-order latent factor. Since RMSEA fit statistic of .059 is slightly below the desired .06 cutoff and the Goodness of Fit Index (GFI) is .901 denoting model fit. Therefore, the model seems to fit the data according to the descriptive measures of fit.*

*More importantly, due to highly complex nature of capital equipment purchase behavior, we incorporate both second-order and third-order constructs into our third-order factor structural equation model as mentioned earlier. And it turns out that both second-order factors (MKT: Marketing, CHNL: Channel, HMN: Human) and third-order factor (ITGB: Intangibles) are all significant due to their p-values < .05 except for HMN's p-value is marginally significant. Moreover, relationship and brand are also significant as well.*

**Keywords:** 7P's, Third-order latent construct Structural Equation Modelling (SEM), RMSEA, GFI.

Since 1960's, the automotive industry of Thailand has significantly improved from small component production to manufacturing of various parts to a major assembling industry of automotive. Currently it is a major export and production hub of the Japanese auto companies and research and development center for various auto manufacturers. Automotive have been one of the most important industry in Thailand economy. The Asian region automotive industry have been in radar of global investment due to its continuous growth and being a potential of the largest automobile market of the world. In particular, the Thai automotive industry is well located geographically in the ASEAN region where Japanese automobile corporations have had a strong presence and had a great influence on the automobile industry of Thailand. Around 90% of the total automobiles for Thailand market were manufactured locally under the strategic arrangement with Japanese manufacturers who were useful in enhancing the technology, providing with production capability, and transferring technology.

The Asian financial crisis had a dramatic turnaround which led to the rise in technology and manufacturing capabilities in automotive industry of Thailand which ensured Japanese MNC's to take the important step of changing their direction towards Thailand (Shimokawa, 2010). Seeing the progress, Japanese MNC's made a change in their strategy from producing locally with aim of setting up global production base in Thailand with manufacturing expansion and expanding business globally.

The country economy development is directly influenced by the automotive sector. The

industry is capital intensive and plays an important role for both local and international market (Schulze et al., 2015). Japanese automakers have had a strong presence in Thailand since 1980's. Japanese automakers aim to expand to Southeast Asia market through foreign direct investment. Japanese expansion in 1980s and 1990s were mainly in two markets of United States and Asian country. The aim of investment in US market was with the objective to get over the protection measures taken in home and expansion in Southeast Asian nation to take benefit of trade conditions. Thailand was the attractive central hub, mainly due to two reasons, firstly being an attractive market to export in profit and secondly no intention by Thai government to promote a locally build car (Kohpaiboon, 2009).

The major differences of automakers are defined through independent and national auto maker which have no foreign investment and that are Honda and Toyota (Shimokawa, 2010). The other brands which are affiliated with foreign investment are Mazda, Nissan, Suzuki, Mitsubishi, and Isuzu. The major foreign affiliated companies such as Mazda and Nissan, complied with major influences on important management issues and decision making of president title. It resulted in aligning of the conventional business approach to the new business structure and global operations. The intensity of the global competition resulted in the auto makers of Japan to change their role on restructuring their role, the host country investment impact, local market entry and new environment for industry to operate in.

Manufacturing setup in overseas were primarily there to reduce the impact of production system difference, trade conflicts, ability to handle technology, labor practice and creating

relationship with supplier network. Initially, the advance technical process and development were controlled and monitored in headquarter of Japan, however, there has been extension on the operational and technological support was setup outside of Japan to derive more profit. With development of independent center, localization and expanding scale, it can emphasize on the product design technology for further interior, body design and parts development (Shimokawa, 2010).

Localization allowed production to be conducted on timely manner and allow to launch new models as per the local demand while globally expanding. IMV (Innovative multipurpose vehicle) was developed by Toyota for ASEAN and Thai market by operating it closely, learning technology through stages and communicating between headquarter and local production setup. However, global expansion pathway consist of various challenges in aspect of capability with material, technology, learning skills, production and engineers involved.

MNC play a crucial role in industry development through their foreign direct investment. Developing countries in fact see MNC's as the roadmap for economic development. Thai government was able to outpace other nations within ASEAN and acquired most of the Japanese MNC investment. With technological advancement, manufacturing and production display allowed for significant increase in capacity, which allowed for manufacturing to be more effective over decade. Japanese MNC's investment decision was merely based on the efficiency of production, productivity improvement and global competitiveness enhancement (Kasuga et al., 2005).

### **Research Objectives**

To study the factors that influence the decision to buy capital equipment for automotive industry in Thailand by Japanese decision-makers

### **Research scope**

- 1) Independent variable consists of : 7P's, culture, brand, relationship and financing
- 2) Dependent variable consists of Purchase behavior

### **Content scope of population/sample**

The research focus on gathering response from the sample size of 400 respondents who are interested in understanding factors that influence the decision to buy capital equipment for automotive industry in Thailand by Japanese decision-makers.

The research mainly uses quantitative method with the use of SEM Model (Structural Equation Modeling) to analyze the relationship between dependent variables and purchase behavior.

### **Literature Review**

#### **Customer Behavior**

Human behavior encompasses thought, feeling or action by people. Human behavior has implied in thinking, sensation, motive, and a decision made every day. Belch and Belch (1990) provide a link between human and consumer behavior, by stating that consumer behavior has defined as the study of human behavior in consumer purchasing decision making.

The business generates revenue from the sales. The consumer is an individual who purchases the product/service and considered as the heart of the business. Therefore, a business with a large

consumer database has a greater chance to grow. The business can expand its customer database feather by understanding consumer theory. The consumer theory is based on 6W (Who, What, Where, Why, When and Whom) and 1 H (How) questions. The questions are as follows (Chuda, 2020);

Who are our customers?

What customers want It is an analysis of customer needs?

Where are your customers?

Why do customers choose to buy your products?

When will the target audience make a purchase?

Whom the product and service are design?

How influenced your customers' buying decisions?

Marketing Mix 7 p's

“The Marketing Mix is the set of tactical marketing tools- Product, Price, Promotion and Place that the firm blends to produce the response it wants in the target market” (Riyadi and Rangjuti, 2016 p 519). As per Kotler and Keller (2015), a Marketing Mix is a marketing tool used by the company to reach marketing objectives in fulfilling the target market. On the other hand, customers described 4P's (Product, Price, Place and Promotion) as the marketing tools used by companies to create profit (Kotler & Keller, 2015). The 4P's of marketing mix is described as follows;

- Product can be defined as "everything that potentially has value to the target market that can give benefits and satisfaction that include products and services" (Cravens, 2000).
- Price is a sum of money the customer pays to purchase the product/ service or the value of

the exchange by the consumer with the benefits due to the ownership or usage of the product or service or simply the amount of money a buyer must pay to obtain the right to use or own the product (Hawkins, 2010).

- The place is a channel used to get the products to the target customers inside and outside the company, where target customers usually make the purchase (Hawkins, 2010).
- Promotion according to Hawkins (2010) is the signal or information that the firm provides about itself and its products to different parties or target customers, for the customer to be loyal, first, the product needs to grab the potential customer's attention.

As per Boom and Bitner, the 4 P's of the marketing mix need modifying for the service marketing and the marketing service consist of 7 p's. The additional 3 P's as follows.

- The employees of the business are classified as the people in the service market. People are individual who's the customer meet and create the relationship. Hence, the people are an important element of the service market and create an image of a business in the customer mind (Sreenivas, Srinivasarao and Rao, 2013).
- Process "is the actual procedure and flow of activities of the services" (Embamrung, 2012 p 23). Sreenivas et al (2013) further suggest that process is an important ingredient in the production and delivery of service.
- According to Zeithaml and Bitner (2005) the physical evidence refers to the place where the service is delivered to the customer, and it includes the tangible facilities that are available to customers.

### **Brand**

A brand is defined as a set of intangible and tangible attributes of the product and is

designed to create awareness, unique identity and develop a reputation of the product, person, place, firm and service (Keller and Lehmann, 2006). Keller (1993) further suggest that “perceptions about a brand as reflected by the brand associations held in consumer memory”(p 3). “The holistic perspective of branding as a long-term strategy includes a wide set of activities ranging from product innovation to marketing communication” (Bonnici, 2015 p 1).

The main aim of branding strategy is to create uniqueness in a brand. This uniqueness helps the brand to be different from the other products/brands in the market, thereby decrease the number of direct competitors or substitutes in the market. Moreover, the branding strategy aims to creates brand equity. The brand equity aids the brand to be different from its a competitor in the market and lower the price elasticity of demand. The organization with low price elasticity gains power and improve its profitability (Bonnici, 2015). Lastly, figure 2.1 aids in understanding the brand strategy.

### **Relationship**

Relationship marketing is known as ‘relationship type strategies, which has developed over past decades in the service and product market (Kangal, 2009). Relationship marketing existed in two main types of marketing, industrial marketing and service marketing. The core aim of relationship marketing is to gain a competitive advantage in the market. As per Dwyer, Schurr and Oh (1987), there are four types of relationships, seller-maintain relationships, buyer-maintained relationships, discrete exchanges and buyer-seller relationships. For an organization, relational exchanges occur with services suppliers, businesses, employees, customers, functional departments, intermediate customers, ultimate customers and competitors (Hunt and Morgan, 1994). Conceptualizing relationship marketing aim to build the relationship with external and

internal stakeholders. Berry (1983) suggests that “relationship marketing is attracting, maintaining and- in multi-service organization-enhancing customer relationship”.

## Culture

Kluckkohn (1951) define culture as a patterned way of thinking, feeling and reacting. Schein (1990) further suggest that the culture is “how people feel about the organization, the authority system and the degree of employee involvement and commitment”. Moreover, culture is referring to society, way of life, belief and set value.

## Cultural Differences between nations

The well-known study on cultural differences among the countries is developed by Dutchman Hofstede. Hofstede (2010) theory is based on the five dimensions of cultural differences. The five dimensions are individualism vs collectivism, masculinity vs femininity, long vs short term orientation, uncertainty avoidance and power distance.

## Individualism vs Collectivism

Different culture makes the decision differently. In some cultures, an individual can decide for a group of people; people must follow the decision. On other hand, collectivism refers to making group decisions and each group member view is respected (Hofstede, 2010).

## Masculinity vs Femininity

This dimension refers to the masculine side represent in society for achievement, achiever, heroism and material reward for success. On this dimension the society becomes competitive. On the other hand, the feminine side presents a preference for cooperation, caring for a weak, high quality of life and modesty. “Society at large is more consensus-oriented” (Boer, 2019 p

### Long vs Short term orientation

Long term orientation presents the long-term vision the society has. A society with a long-term vision is a normative thinker, has great respect for traditions, a small amount of saving for the future and the ability to achieve the result quickly. In a society with a long-term orientation, people believe that truth depends very much on situation, context and time. Contrast the short orientation societies lack the long-term vision and often subject to uncertainty in future (Berry, 1997)

### Uncertainty Avoidance

This dimension expresses the degree to which a member of society feels uncomfortable with uncertainty. The main issues are based on the ability of the society to deal with the problem knowing of the unknown future the situation held (Hofstede, 2010).

### Power Distance

The power distance dimension “expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally” (Berry 1997, 23).

### Financing

As per Khan and Jain, “Finance is the art and science of managing money”. “Financing is the process of providing funds for business activities, making purchases, or investing” (Hayes, 2021). The banks are providing financing to the companies, customers and people and considered the most financial institution used in society for financing. However, the business can acquire financing for private finance or public finance. Figure 2.2 below presents the option to businesses for financing.

## 2.2 Dependent Variables

### Purchase Decision

A decision-making process starts with the recognition of need.

The need recognition is classified into a few types. In the first type, the customer recognizes a need or problem that can be triggered by internal or external stimuli. Internal stimuli are a human's basic needs, for example, a hunger that makes the stomach grumble and gets the consumer to buy a hamburger. External stimuli can be, for example, an advertisement that can get you thinking about buying a new computer. (Kotler&Armstrong 2010, p. 178.)

The buying decision process is the order of purchase decisions of consumers. According to a large number of consumer surveys about the decision-making process, consumers are required to go through a five-step process: need recognition; information search; evaluation of alternatives; purchase decision; and post-purchase behavior, as is detailed below:



Figure 2.3 Five stage model of the buying decision process

Source: Kolter, (2012)

### Need recognition

This has been established to be the first stage in the decision-making process. In this stage, a consumer develops a need for a product/service (Solomon et al., 2006). The authors amplify that a consumer buying decision process will begin when a person's need is unsatisfied. These

unsatisfied needs can be divided into functional needs, psychological needs, and feelings about the product or service they purchase. As the consumer recognizes the needs, the consumer moves to the second stage of decision making.

#### Internal and external information search

In this stage, a customer searching for information about the product /service. According to Moorthy et al. (1997) factor) like personality, income, social class, purchase size, prior brand perception, past experiences, and customer satisfaction can influence consumer decision making. During this stage, the consumer searches for information (search for the information external and internal). As per Solomon et al. (2006) the search composition of information includes pre-purchase and ongoing search information about the product/service. Pre-purchase search is when customers identify a need and look for more information within the market. On the other hand, the ongoing search for information about a specific brand. At the same time, consumers are more likely to keep up with the latest updated information about the brand they are pursuing (Tsai et al., 2007).

#### Evaluation of alternatives

In the third stage, the information search in the second stage is evaluated. Kolter et al. (2005) suggested that the pre-purchase evaluation period is when consumers make an assessment between different products and brands before they make a purchasing decision. Generally, their decision-making processes are based on the qualities which are related to their needs. Kotler et al. (2005) opined that customer buying decision is therefore based on several qualities such as size, quantities, quality, and prices.

#### Purchase decision

Purchase decisions are the fourth stage in the consumer decision-making process. It usually starts after consumers have already evaluated the various products or services offered by businesses. This stage the customers decide to purchase a product or service (Blackwell et al, 2006). They will base their decisions on the product attributes from the previous stages. The customer assistants, visual exhibitions of merchandise and the point-of-purchase can also influence the consumer buying decision processes.

#### Post-purchase

The final stage of the consumer decision process model can be divided into three steps. The first step, customers consume the products or services. In the second step, customers will evaluate the information and it may be noticed that the customer satisfaction level could be higher than their perceived performance and vice versa (Aaker, 1996; Blackwell et al., 2006). During the last step, divestment takes place. At this point, consumers are likely to dispose of or recycle the purchase. This the point that most organizations now pay attention to and build a positive relationship with the customer. This positive relationship with the customer ensure that the customer repeat the purchase (Rayport and Jaworski, 2003).

#### Consumer Decision Model

The Consumer Decision Model (also known as the Engel-Blackwell-Miniard Model) was developed in 1968 by Engel, Kollat, and Blackwell and has gone through numerous revisions; the latest publication of the model is depicted. Therefore, the elements of the model are similar to those presented in the Buyer Behaviour Theory (Howard and Sheth 1969).

The structure presents the relationship between the variables. The model revolves around the seven points of the decision process. The seven points are as follows; need recognition followed

by a search of internally or externally information externally, the evaluation of alternatives, purchase, post-purchase reflection and finally, and post-purchase. The decision has been influenced by two main factors. Firstly, stimuli are received and processed by the consumer in conjunction with memories of previous experiences, and secondly, external variables in the form of either environmental influences or individual differences. The environmental influences identified include culture; social class; personal influence; family and situation. While individual influences include: consumer resources; motivation and involvement; knowledge; attitudes; personality; values and lifestyle (Blackwell, Miniard et al. 2001).

#### Japanese purchasing decision

Japanese cultural values in business are not limited to having some general knowledge of culture, such as basic courtesies like greeting with a bow or giving business cards with two hands. This superficial comprehension will help to do business in Japan. It is also essential to know how Japanese cultural values shape business aspects like making connections and maintaining relationships, adapting to the highly competitive and changing Japanese market or providing an unparalleled level of service. (Gloria García, 2015)

The Japanese cultural values in business have moulded the Japanese business mindset and shaped the traits of the Japanese way of doing business way, 1) The importance of relationships. 2) Saving face. 3) Self-control and self-discipline. 4) The importance of silence. 5) Striving for perfection. 6) Flexibility to adapt to changes 7) Everything change and nothing is permanent. 8) The importance of circumstances. 9) Harmony between group members 10) Membership of a group and cooperation within it. 11) Social hierarchy and respect for age. 12) The importance of complying with social norms and 13) Acceptance of the inevitable. The importance of

understanding Japanese cultural values in business. The traditional values and traits that have guided the Japanese over the centuries remain important today in the way in which most adult people act in public. Dealing effectively with Japanese business people continues to require an in-depth knowledge of the meaning of certain acts that reflect their underlying cultural values and social customs. (Gloria García, 2015).

Consumer-buying decisions are not alike, and the amount of effort put into the decision-making process differs. When the decision-making process is automatic, a snap purchasing decision made with little information search. This kind of routinely made buying decision involves little risk and low involvement. On the other hand, the decision-making process requires a lot of time and information search. The products that are bought rarely involve high risk and extensive problem-solving. (Kardes et al. 2011)

#### The Relationship between (among) Variables

##### Relationship between consumer behavior and purchase decision

Serirat S. et al., (1995) noted that consumer behavior analysis requires marketers to study the needs of consumers. To produce products or services that meet the needs of consumers, there are 6Ws (Who, What, Why, When, Where and Whose) and 1H (How) questions. To find out seven answers for seven questions the following is evaluate, occupants; object; objective; organization; occasions; outlets; and operations. The following is a demonstration of using seven questions to find seven answers about consumer behavior, including the use of marketing strategies by the answer with consumer behavior.

1) Who is in the target market?

A question to know about occupants. The target market consists of medium to high-income

businesses.

2) What does the consumer buy?

A question to know about objects.

3) Why does the consumer buy?

A question to know about objectives

4) Who participates in the buying?

A question to know about the organizations or people that influence the buying decision.

5) When does the consumer buy?

A question to know about occasions

6) Where does the consumer buy?

A question of how to make a purchase decision on which outlets consumer seagoing to buy.

Marketers must study to provide distribution channels.

7) How does the consumer buy?

A question to be considered a consumer behavior model in the decision to buy and to know the steps to make a purchase decision.

In conclusion, analyzing consumer behavior is important for researcher research on purchasing behavior, consumption of goods and services of consumers to understand the reasons that influences purchasing decision and goods services. This will enable marketers to be motivated by the marketing tactics that can best serve the needs of consumers. Thus, marketers need to understand the product mix elements which consumers need and want, what consumers must do to purchase and consume them, and what influences their purchase and consumption behavior. Furthermore, Mutil (2012) suggested that in a competitive environment, the role of product mix

elements of consumer goods has changed due to increasing self-service and changing consumers' lifestyles. Firms' interest in the package as a tool of sales' promotion is growing increasingly. Package attracts consumer's attention to a particular brand, enhances its image, and influences consumer's perceptions of such goods (Ahmed et al, 2014; Wells and Armstrong, 2007; Wells et al 2010 Ashaduzzaman et al, 2016). The consumer's buying behaviour process involves the interference of several people: the purchaser, whose role is to buy the goods; the user who uses the actual good and the influencer who provides information and recommendations about the goods.

#### Hypothesis Proposition

#### Marketing Mix influence on the purchasing decision

#### Price

The researchers in past and present agree that "in the broadest sense price in anything that one party is prepared to part with to get something" (). Doyle (2002) define the monetary side of price and price manifest in many forms. These forms include the opportunity cost and price paid to acquire the product (Kolter, 2000). The customer desire to purchase the product at a low price with high quality (Palmer, 2001). According to McDonald (2002) price decision is important for two reasons; the price affects the revenue and quantity sold influences demand. In many types of research, the following scale items measuring the significance of price, "price competitiveness", "value for money", and "Price incentive" (Mintel, 1998). Moreover, the factors in price such as discount (Fill, 2002), high quality of product at a low price and low price does influence the consumer purchasing decision (Kotler and Keller, 2016; Komaladewi and Indika, 2017 and Pradana (2015).

H 0: Price has no effect on consumer purchasing decision.

H 1: Price has effect on consumer purchasing decision.

#### Product

The product is anything that is offered by the business to the market for attention, use or consumption, an acquisition that might satisfy the consumer needs and want (McDonald, 2002).

The consumer purchases the product based on the following features; easy to use, good quality of the product, product design, product presentation, product performance, the technologies used in the product, technologies advancement the product offers and effectiveness the product bring to the consumer while using it in the production process and permeability of the product (Kotler and Keller, 2009).

H 0: Product has no effect on consumer purchasing decision.

H 2: Product has effect on consumer purchasing decision.

#### Promotion

According to Panjaitan, Sinulingga and Wibowo (2019) the promotion is defined as a form of marketing communication. Marketing communication is considered a market activity that pursues to provide information and persuade the consumer to purchase the product. Hence, it an important marketing activity to introduce the product and encourage the consumer to make the purchase the product.

The business in the capital good market promotes the product through the traditional channel and another channel. To influence the customer in the capital goods, the business promotes by years of warranty, free after-sales services, free spare parts, trade of old products for the new one (Singh and Nejadmalayeri, 2005).

H 0: Promotion has no effect on consumer purchasing decision.

H 3: Promotion has effect on consumer purchasing decision.

### Place

The manufactured product needed to be sold to the consumer. Therefore, the product required to be available to the consumer where they make conveniently make a purchase (Usman, Kayani, Haroon and Khan, 2012). The product is far away from the consumer, the consumer makes find it difficult to purchase the product. So, the manufactured product needed to be located new the customer (Robinson, 2009).

H 0: Place has no effect on consumer purchasing decision.

H 4: Place has effect on consumer purchasing decision.

### People

People are considered an important element of service marketing. As per Heskett (1994) and Rust (1993) service-profit chain determines the significance of employees in creating satisfied and loyal customers, which results in healthy service profits and growth. As per Kolter (2002), the importance of employees in marketing is also reflected in image, reputation and corporate identity. The employees in the service marketing need to know about the product/service the business is selling, be knowledgeable, and professional (Biong and Selnes, 1996). The information provided by the employees need to be reliable and the organization needs to have good management to create trust and customer loyalty (Keller, 2000).

H 0: People has no effect on consumer purchasing decision.

H 5: People has effect on consumer purchasing decision.

#### Process

The process refers to the way the service is provided to the customer and impresses the customers. The service processes had to be quick and standardized from the employees who have the knowledge, abilities, potential that made the efficient and quality servicing procedures (Jongnapasirikul, 2019). Hence, the salesperson needs to be professional and provide accurate information. The sales workforce needs to be creative, active by providing a solution to the problem occurring during the service (Kolter, Browen and Makens, 2010).

H 0: Process has no effect on consumer purchasing decision.

H 6: Process has effect on consumer purchasing decision.

#### Physical Evidence

“Physical Evidence was the visibility of the inside and outside or place which created the customer value and communicated the image and service quality such as European and Thai Style interior decorate, shop layout” (Jongnapasirikul, 2019 p 8). The physical environment aids in attracted the clarified perception of the consumer with facilities, facilities need to clean, safe for the consumer to visit, follow the standard system set by the authority (Kolter, Bowen and Makens, 2010). Therefore, the following hypothesis is created in this research to examine the relationship between the marketing mix and purchasing decisions.

H 0: Physical Evidence has no effect on consumer purchasing decision.

H 7: Physical Evidence has effect on consumer purchasing decision.

### Culture influence on the purchasing decision

A Culture help the business to understand the consumer needs and behaviours. Culture has been part of society and culture determines the person wants and behaviour (Rani, 2014). Perreault and McCarthy (2006) further state the feeling, emotions, similar language are an important element of culture that influences the consumer purchasing decisions and consumer does feel comfortable to communicate in their language. Papadopoulos and Heslop (1993) suggest the product's country of origin does influence the purchasing decision, for instance, the Japanese products are known for their high quality and durability. Hence, the consumer purchasing decision is influenced by the country of origin and the language spoken by the staff. Several types of research highlighted the effect of consumer culture and country of origin on consumer purchasing (Bond, Leung and Au, 2004). Therefore, the following hypothesis is created in this research to examine the influence of factors on a consumer purchasing decision.

H 0: Culture factors have no influence on the purchasing decision to buy capital equipment.

H 8: Culture factors have influence on the purchasing decision to buy capital equipment.

### Brand Influence on Purchasing Decision

A branded product is often associated to be a quality product. Quality is defined as “the total totality of features and characteristics of a product or service that bears on its ability to satisfy give needs” (Hendra, 2017), suggesting that characteristic of product (brand) or service that can satisfy the needs of the customer. Therefore, the product quality reflects the product offered by the seller to the customer and a good quality product does aids the businesses to gain a competitive advantage in the market (Rizqulloh and Elida, 2015). Therefore, the business is

required to pay special attention to product quality. Kolter (2004) suggest that product quality is the ability of a product in demonstrating its function, which includes the accuracy, reliability, durability, ease to operate the product and product attributes.

The consumer communicates with each other and passes on the information about the product or service. In this process, the positive or negative information about the product/brand is passed on (Henig, Gwinner, Walsh and Gremler, 2004 & Kurihara, 2016). This exchange of knowledge among the consumer does influence the purchasing decision of the brand such as the comment about positive further of the brand, generate a positive mindset for the consumer to purchase that brand been communicated among the customers (Chatterjee, 2001, Cheung, and Lee & Rabjohn, 2008).

The consumer does purchase the product which has a large market share in the market. As the product with large market share reflects as quality and good product in the mind of the customer. Is a sort of assurance about the brand been good (Anderson, 2021)?

Therefore, the following hypothesis is created in the research, to examine the relationship between the brand and purchasing decision.

H 0: Brand factors have influence on the purchasing decision to buy capital equipment.

H 9: Brand factors have influence on the purchasing decision to buy capital equipment.

#### Relationship Influence on Purchasing Decision

The customer often develops personal closeness and bond with employee's or the business itself (Athanasopolou, 2009). As per Wen et al (2012) this closeness often aids in developing a long-term relationship with the customers and aids the businesses to improve their customer

loyalty.

The concept of CRM is important for business strategy (Li et al, 2009). The term “Customer Relationship Management” come into the light in the mid-1990s’. CRM is “a comprehensive strategy and process acquiring, retaining, and partnering with the selective customer to create superior value for the company and the customer” (Parvitiyar and Sheth, 2001 p 5). According to Peppard, 2000) the main aim of CRM is “to maximize the lifetime value of a customer to the organization” (p 321). The CRM term is often related to ‘relationship marketing’. Kokemuller (2010) suggest that the CRM concept is claimed to be an evaluation of relationship marketing, providing a clear strategy towards customer retention. Hence, both the system emphasizes on relationship with the customer

As per Laja (2019), the business is required to make an emotional connection with the customer. Once the customer has decided that like an option. It is difficult for them to backpedal. Therefore, the following hypothesis is created in this research to examine the influence of relationships on purchasing decisions.

H 0: Relationship factors have influences on the purchasing decision to buy capital.

H 10: Relationship factors have influences on the purchasing decision to buy capital.

Financing influence on the purchasing

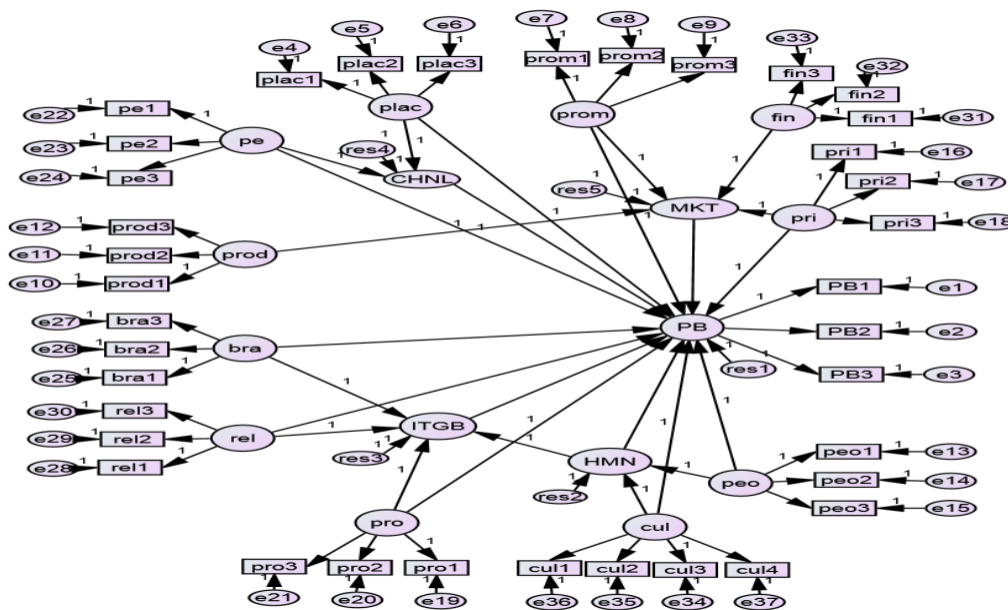
The business in the modern age prefers to have good working capital flows to meet the demand of daily expenses. The business avoids investing a large sum of investment in purchase capital goods. Therefore, the business in the modern era considers the capital lease, operating lease program and multiple payment options to acquire the assets. The capital lease is a long-term lease and temporary transfer of the ownership (Blanchard, 2016). The operating lease gives

the business right to the use the assets for a specified period, but the ownership of the asset remains with the lessor (Lee, 2003). In the third option, the consumer can purchase the product now and pay later in instalments form (Raghubir and Srivastave, 2008). There are several types of research in past, suggesting the instalment methods influence the consumer purchasing decision and influence the consumer to purchase the products/capital goods (Shah et al, 2015; Parker, Lehmann and Xie, 2016 & Agrawal, 2018). Therefore, the following hypothesis created to examine the relationship between financing and consumer purchasing decision.

H 0: Financing factors have no influence on the purchasing decision to buy capital equipment.

H 11: Financing factors have influence on the purchasing decision to buy capital equipment.

**Conceptual Framework**



**Research Finding and Data Analysis**

This research focus on factors Influencing Japanese decision makers in Thailand when they purchase capital measurement equipment for automotive industry. This chapter of the study will focus on research findings and data analysis. The data gathered was from 400 respondents through questionnaires which were created, and the data was measured using SPSS.

The data gathered were analyzed using SEM approach in SPSS program to measure the hypothesis. The outcome of the data gathered is presented below:

Since RMSEA fit statistic – the obtained value of .059 is slightly below the desired .06 cutoff. Similarly, the Goodness of Fit Index (GFI) is .901 denoting model fit. Therefore the model seems to fit the data according to the descriptive measures of fit.

SEM calculation

SEM Model

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	.843	.802	.903	.875	<b>.901</b>
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.059	.054	.063	.000
Independence model	.166	.163	.169	.000

More importantly, due to highly complex nature of capital equipment purchase behavior, we incorporate both second-order and third-order constructs into our third-order factor structural equation model. And it turns out that both second-order factors (MKT: Marketing, CHNL: Channel, HMN: Human) and third-order factor (ITGB: Intangibles) are all significant due to their p-values < .05 except for HMN's p-value is marginally significant. Moreover, relationship and brand are also significant as well.

#### Regression Weights

	Estimate	S.E.	C.R.	P	Label
PB <--- MKT	-1.001	.016	-63.068	***	
PB <--- rel	.770	.183	4.215	***	
PB <--- bra	.397	.202	1.971	.049	
PB <--- CHNL	-.484	.103	-4.684	***	
PB <--- HMN	-.321	.164	-1.955	.051	
PB <--- ITGB	-.437	.129	-3.394	***	

In conclusion, our third-order latent-construct SEM shows that in selling capital equipment product which is not as straight forward as consumer products and simple 7P's cannot work well, company needs to repackage influential factors differently to have significant and better impact than traditional marketing factors. First package (second-order latent factor called marketing 'MKT') includes product, price, promotion and financing options. Second package includes place and physical evidence called channel 'CHNL', also second-order latent factor). Third second-order latent factor involves people and culture in the package. Fourth is the third-order order latent factor ITGB (intangibles) that incorporate both second-order HMN and first-order relationship and process as the total package to be considered altogether when it comes to selling capital equipment. Also, brand and relationship by itself needs to be focused seriously and separately as well. Future research should embrace more variables under both second- and third-order latent constructs to the model to improve model effectiveness to make it more robust.

### Discussion

The aim of this study is to analyses factors that affect the consumer decision making of capital equipment. After covering the research, the factor for this research are as follows: Marketing Mix 7p's, Culture, Brand, Relationship and Financing and consumer decision marking.

In this research quantitative research method was employed and data is collected through questionnaires. A sum of 400 respondents was surveyed as the total population sample interest in purchasing the Japanese's capital equipment from Thailand. The finding of this research and significance are discussed below.

#### 5.1 Summary of Research

This research uses the Structural Equation modeling and the primary data collect from sample size is calculated by SEM analogy resulting in 400 respondents. The result of the questionnaire is summarized and presented that data in the chapter 4 suggest the sort of relationship the variable has.

### Research Findings and Conclusion

The research conducted consisted of 5 hypotheses, to measure the relationship between Marketing mix, culture, brand, relationship, financing and purchase behavior. The finding presented in chapter 4 is reflected through SEM model. The p-value indicate the significance and non-significance of the study. If the p-value is higher than 0.05, it indicates that there is no statistical significance and alternative hypothesis is rejected and null hypothesis is accepted. The hypothesis test indicates that all the factors such as marketing, relationship, culture are all significant as their p-value is higher, whereas brand p-value of 0.49 is less than 0.5, which mean it have significant impact on purchase behavior of Japanese decision maker on capital equipment.

### Reason for Using SEM

The research selects the SEM, as it's a powerful analytical tool that focuses on an extensive array of statistical techniques. The analysis of the Path model is flexible in terms of the hypothesized relationship between the variables, concerning variable structures and enable a wider range of research questions that address. Hence, this model aids the framework to move away from overreliance on the somewhat simplified mindset linked to null hypothesis

significance testing, systemic reasoning of relationship among the variables are viewed as section of a more extensive system (Gruyter,2020).

### Research Implication

Lot of information was gathered in relation to automotive industry, capital equipment, decision making and various other factors important to this study. Various factors were considered which impact the purchase behavior and decision making, factor such as marketing mix, relationship, brand, culture and finance. After gathering all the data and conducting extensive research, it came to inform that there are various implications and limitations related to the study. The study included five independent variable and a dependent variable to study the effect on consumer decision making. Primary study was gathered through distribution of questionnaire and 400 participants participated in this survey from Thailand. The questionnaire gathered in-depth information, which does not only measure the testing factors, but also include general and demographic information of the respondents such as gender, age, education background, occupation and include few more general questions like years of working, years of stay in Thailand and language proficiency.

The research reflected in literature review section of this report is the information gathered on purchase behavior and the various factors that are crucial in consumer purchase decision making. However, the timing of conducting this research study has not been appropriate as currently the pandemic time of COVID-19 have had a significant impact on various industry, employment and health and safety of the people. The factor tested such as marketing mix, culture,

relationship, brand and financing may have been affected for the respondents answering the survey.

All these factors have been explained in detail and their importance has been signified in regards to consumer purchase decision. Automotive industry has a long history within Japanese roots and over the recent decade it has formed a strong hold in Thailand market. All these factors play a crucial role and they have been depicted with ease in the research study. The data gathered from secondary research ensures the importance of purchase behavior.

Furthermore, primary data was conducted through questionnaires and measured through SEM model. The primary finding indicate that brand play a significant role in consumer purchase behavior. All of the testing factors indicate their level of significance and importance to the dependent variable. The study overall measures the importance of each factor to the final decision making.

#### Research Limitation and Recommendations for Future Research

In this study the researcher identified the factors that seem significantly affect the consumer purchasing decision of the capital equipment and the research does identified some limitation. Most of the respondents in this research are Japanese purchasing capital equipment, the research is limited to one segment and result produce is limited as other segment of the market is not included. Some of the respondents has little experience living abroad, and answers may be affected by the policies and development of the nation. Therefore, researcher of this research recommends the future research to collect the data from different group in the nations, target different segment of the market. The future research can change the variables or add more

variables to examine it differently. Lastly, researcher hope this study analyzes the factors that affect consumer purchasing decision making process and can contribute to future research.

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