

# **Volvo Car Corporation and its Potential Market in East Coast China**

Author: Zhenhui Ma  
Supervisor: Roger Greatrex



## **Abstract**

With the rapid growth of Chinese economy, China has surpassed America and become the biggest automotive market. After Zhejiang Geely Holding Group acquired Volvo Car Corporation in 2010, China was targeted to be its future biggest market in both producing automobiles and sales around the world.

The purpose of this study was to find out the potential market for Volvo Car Corporation in the east coast region in China through studying Chinese automotive consumers' automobile attitude and Chinese consumers' automobile consumption behavior.

This study used questionnaires on a selected group of Chinese consumers and interviews with a journalist and two car dealers in Shanghai. From the analysis on the results of the questionnaires and the interviews, I found that Volvo Car Corporation's present situation in the China east coast region existed several problems and was losing consumers, its safety selling point could not attract Chinese consumers, and its advertisement could not create brand loyalty within the consumers. Thus, Volvo Car Corporation's current and future market would be a failure from both private and public consumers.

**Keywords:** Automobile consumption, Volvo Car Corporation, Volvo automobiles, Chinese consumers, Shanghai.

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## **1. Introduction**

In 2010, Zhejiang Geely Holding Group Co. Ltd acquired Volvo Car Corporation from American's Ford Company, and Li Shufu, the CEO of Geely said that Geely drafted a plan for automobile manufacturing facilities capable of producing a volume of 300,000 vehicles, and China would become the biggest market for Volvo Car Corporation (Jane 2010). On 24<sup>th</sup> of April 2012, Chinese prime minister Wen Jiabao's visit to Volvo Car Corporation's head company in Gothenburg showed that Chinese government valued the acquisition and its future (Zhao Cheng 2012). Both Geely's future plan and the prime minister's visit indicated the importance of the Chinese automobile market for Volvo automobiles' future development. Also Chinese automobile consumers would become the main buyers when the plan is launched. Thus, to find out Volvo Car Corporation's potential market in China and to know about Chinese consumers' attitude towards Volvo automobiles have been significant in its business plan.

In this chapter, an introduction about the Chinese automotive market background, the motivation of this study and the research questions were formulated.

### **1.1 Background**

In this part, general information about the Chinese automobile market, merger and acquisition in the Chinese automobile industry, and Volvo Car Corporation's performances and expectations in China were presented.

#### **1.1.1 Chinese Automobile Market**

The Chinese automobile market had developed rapidly from the early 1990s. The entry to the World Trade Organization in 2001 accelerated the speed of the industry's development. The growth rate of the Chinese automobile market between 2002 and 2007 was about 21 percent by average, which meant 1 million RMB growths per year. By the end of 2009, China had become the biggest automobile market as it had surpassed the US

market in the world (Zhangyi 2011). In 2009, the sales of automobiles in China was 13.79 million, including 8 million passenger automobiles and 3.41 million commercial automobiles, 44.3% of which were domestic local brands, such as Geely, BYD and Chang'an, and 55.7% were foreign brands, such as Volkswagen, GM and Nissan (China Auto 2010). All the numbers above showed that China had become the key target market for the automobile industry in the world; hence, many global automobile makers had targeted China as their future business growth and profits source area.

### **1.1.2 Merger and Acquisition in the Chinese Automobile Industry**

In recent years, foreign companies had started to look for opportunities in the Chinese market about merger and acquisition. On one hand, there were fewer regulatory hurdles in China. On the other hand, Chinese companies were able to have the access to important technologies and resources (Autosina 2010). Thus, acquisition had been regarded as an efficient way for the development of Chinese companies. The automobile industry in China was considered a pillar of industry of the Chinese economy, in order to develop the Chinese automobile industry in an effective and international way, related beneficial acquisition policies had been carried out. For example, the automobile industry restructuring and rejuvenation program demonstrated that “it is required to promote the restructuring of the automobile industry, to support merger and acquisition of large-scale automobile enterprise groups, to expand the scale of major auto parts enterprises through merge and acquisition”, there had also been beneficial policies on tax and employees (Ministry of Commerce 2009).

The first merger and acquisition case in the automobile industry was in 2004 between SAIC (Shanghai Auto Industry Cooperation) and Korean brand Ssangyong, but because of the unaligned benefits within the two parts, this acquisition ultimately failed (Auto163 2009). Since that, several acquisition cases happened, such as in 2005, the acquisition between Nanjing Auto and British Rover (Automsn 2011). However, none of these existing acquisition cases had been regarded as ambitious as the Geely and Volvo Car Corporation’s case. On the other hand, the acquisition of the two companies happened

after the world financial crisis when the rest of the world was suffering from their depressing financial situation, Geely bought Volvo Car Corporation when American's Ford Company couldn't wait to get rid of it (autoifeng 2010). All the above situations made this acquisition unusual, and aroused researchers' attentions and interests.

### **1.1.3 Volvo Car Corporation's Historical Performance and Expectations**

Volvo Car Corporation was owned by Swedish Volvo Group till 1999 when it was acquired by Ford Motor Company. And in 2010, Zhejiang Geely Holding Group Co. Ltd acquired the company with the price of 1.6 billion US dollar (BBC 2010). The reasons for the acquisition were the advanced technologies and the European market where Chinese domestic automobiles could not reach due to the different vehicle testing systems in China and western countries (NORIHIKO SHIROUZU 2012).

When Ford owned Volvo Car Corporation, the restructure plan for the company was to push the brand to the upper market. According to the sales' figures by the automobile ranges presented by Volvo Car Corporation newsroom, almost in each year the company had designed and produced a new automobile model to attract the consumers. Meanwhile, several automobile models were winded down in order to balance their cost (Volvo Car Corporation global newsroom 2009). However, the structure reform couldn't change the company's fate after the 2008 financial crisis. The reason for Volvo automobiles not being popular among the consumers was that Ford didn't understand the automobile consumers. After Geely's acquisition, Volvo Car Corporation announced its future Chinese strategic plan that a new plant would be opened in 2013 in Chengdu with 100,000 automobiles as its annual production capacity. Besides, two more plants to be built. Thus, China would be the biggest market in the world. Stefan Jacoby, Volvo's chief executive claimed 200,000 automobiles sales target in China by 2015, comparing to 106,000 automobiles nowadays. Regarding the expansion of dealerships, he also described China as its "second home market" (Ft news 2011).

## **1.2 Motivation**

The unbalanced marriage between a poor man (read: Geely Holding Group) and a rich woman (read: Volvo Car Corporation) aroused concerns in the automotive market about whether China could be the biggest market as expected and whether Chinese consumers could accept and support the new identity of Volvo Car Corporation and Volvo automobiles. I had several conversations with two automobile dealers and an automobile journalist, and they agreed that China was a big market for the automotive industry as long as the automobiles could meet Chinese consumers' expectations. However, they believed that to achieve Volvo Car Corporation's target in China, the company needed to know more about China and Chinese consumer behavior (Huang Gang 2012, Huang Wenjing 2012, Xu Liang 2012).

The motivation for this study was to find out Volvo Car Corporation and Volvo automobiles' potential market in the east coast China region through studying the attitude of Chinese automotive consumers towards the automobiles and to find out the problems in both the company and the automobiles.

## **1.3 Research Questions**

The main research question for the thesis is

- What is the market size for Volvo Car Corporation in the east coast region in China?

In order to find out the answer, the following comes two questions, which must be answered,

- a. What factors will influence the Chinese consumers when they choose automobiles?
- b. What do the Chinese consumers think about Volvo automobiles?

Through applying theories from literatures, analyzing the data collected from the questionnaires and the interviews, answers to all questions have been found out.

## **2. Literature Review on Consumer Behavior Study**

This part presented previous consumer behavior studies about how consumers choose products from a various of perspectives, and how marketers were connected to these perspectives. All the theories mentioned in this part had been used in this study when analyzing data collected from Chinese automotive consumers and analyzing interview results.

To study about consumers is “the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires” (Solomon 1995, p484). In the marketing context, consumer refers to “patterns of aggregate buying”, which includes both pre-purchase and post-purchase activities, rather than only referring to purchase action itself (Foxall 1987, p124-146). Consumer behavior is defined as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts” (Engel 1986, p5). From 1960s, consumer behavior started to be studied as a distinct field, and was characterized into positivist and non-positivist paradigms. Positivist paradigm research advances the goals of marketing practice, on the contrary, non-positivist paradigm research helps to understand consumers’ behavior better without influencing consumer processes.

### **2.1 Positivist Perspective (Traditional Perspectives) on Consumer Behavior**

The positivist paradigm emphasizes that science can discover the objective truth among consumers, with economic, behavioral, cognitive, motivational and situational perspectives encompassed. The positivist paradigm is also regarded as the traditional perspective.

### ***Behavioral Perspective***

The behavioral perspective demonstrates that response is closely related to external environmental factors. Peter and Nord mentioned consumers are stimulated by external strategic emphasis and modification theories, which can be used to influence and control consumer behavior (Peter and Nord 1982, p102-107).

Classical conditioning occurs after the neutral stimulus is paired along with the unconditional stimulus several times. This was first demonstrated by Ivan Pavlov into dogs on conditioning and learning. He used pairing the neutral stimulus of a ringing bell with the unconditional stimulus. By repeating the stimulus, the ringing bell became a conditioned stimulus and was associated with food. Pavlov's experiment indicated responses controlled by nervous and autonomic systems, which refers to visual and olfactory cues, such as hunger and thirst. It's also useful to consumer behavior, when visual and olfactory cues are paired with conditioned stimuli of consumers, brand names may cause consumers' hunger or thirst (Feinberg 1986, p348-356). Brands also cause consumers' reactions on related productions. For example, when consumers hear Volvo automobiles, they think of its safety intuitively as response.

### ***Cognitive Perspective***

Compared to behavioral perspective, cognitive perspective has been criticized that it regarded individuals in complex information society, meanwhile, East has argued that the behavioral theory has the precedence as in the relationship between attitude and behavior, the person, stimuli and context are able to be controlled and detected (East 1990). The cognitive perspective pays more attention and stresses on the internal mental part when consumers are making decisions, compared to behavioral perspective. It's a theory of studying how people perceive, remember, think, speak, and solve problems. Langer argued a concept "mindlessness" about a condition, which means people's response to some information is automatic and passive (Langer 1983). Scholars explained the cognitive theory as the center of hierarchy of effect models, they assumed "consumers go

through a variety of stages, namely cognitive, affective, and cognitive, in responding to advertising, and other marketing messages” (Barry and Howard 1990, p121). Marsden and Littler discussed that “the dominant pattern of relationship between the three stages is that cognition (thought) precedes both affect (feeling) and conation (behavior)” (Marsden and Littler 1998, p7).

The most acceptable position about cognitive theory is people’s thoughts and feelings can change their actions directly. Hence, the marketing strategy from cognitive perspective is “consumers must be exposed to information [e.g., advertising] if it is to influence their behavior” (Sternthal and Craig 1982, p314).

### ***Motivational Perspective***

Motivational research is to find out the relationship between consumers and marketing action. Motivational research depends heavily on each different individual personality. Thus, it’s necessary to merge typologies knowledge such as lifestyle, interests, activities and opinions of consumers to their nature.

Douglas and Isherwood found that the same type of consumers selected the same group, functions and service of products in their experiment. Douglas and Isherwood mentioned “... all goods carry meaning, but none by itself... The meaning is in the relations between all the goods just as music is in the relations marked our but the sounds and not in any one note” (Douglas and Isherwood 1979, p72-73). Consumer researchers must stress on consumers’ lifestyles and their behavior to understand consumers. Hence, it’s important for marketers to identify the group of products, which is well associated with different lifestyle of consumers. Solomon mentioned the symbolic meanings of products, “their sets of complementary products, are termed, consumption constellations, and are used by consumers to define, communicate, and perform social roles” (Solomon 1995, p582). Even though more recently, Hogg argued that services could be a better indicator, which associated with consumers and products, and corresponded to social roles (Hogg 1998, p133-158).

Nevertheless, products need meanings not only within social context, but also within consumers to either associate or disassociate with products. Products' meanings mostly depend on their compatibility with lifestyles, social classes, and social roles. Relatively, these social groups will influence the process of consumers' product choices by the groups' referent power.

### ***Situational Perspective***

Consumers' decisions are influenced by external environmental factors, such as the placement and arrangement of products and physical surroundings, which would influence and change their target consumers. Hence, consumers might be highly involved in a situation or making a decision, but consumers might not make the decisions by themselves or automatically rather than not be influenced by external environment.

Results or effects influenced by situations are perceptual, such as consumers with different moods can choose different things in a store and the limitation of time can also impact consumers' decisions. Bruner mentioned that the design of stores and the placement of products could affect consumers' mood, hence many stores and commercials use music to arouse consumers' emotional response. Consumers' reactions and moods to products and commercials can be positively stimulated by external factors (Bruner 1990, p94-104). Physical and social environment is also important for consumers' decision making. When people are connected to their situational role, they mostly make product choices along with their ethnic identity (Stayman and Deshpande 1989, p361-371). According to the above theories, from marketers and consumers perspective, to understand what consumers are doing from both physically and psychologically when they are consuming products can improve the choice rate of products and brands (Belk 1974, p156-163).

## **2.2 Non-Positivist Perspective**

The non-positivist paradigm emphasizes that consumers have subjective ideas with dimensional choices, according to their unique experiences. The non-positivist paradigm is a more recent paradigm, contains interpreterism and postmodernism.

### ***Interpretive Perspective***

Interpretive research emphasizes the importance of individual internal factors. It says consumers are pre-given natural essence when they decide to purchase.

O'Shaughnessy and Holbrook discussed "from an interpretive point of view, actions like buying are not simply matters of rational calculation with consumers computing up the pros and cons of objective facts, but rather are matters involving felt expectations as to how the consumption episode will be personally experienced" (O'Shaughnessy and Holbrook 1988, p206). Several researchers discussed that "the focus of inquiry of the interpretive and postmodern perspectives therefore becomes, consumers' subjective meanings and language or discourses" (Buttle 1989, p419-438). However, Brown argued that the postmodern perspective and the interpretive perspective were different when they were referred to marketing, because the interpretive perspective "presupposes an autonomous human subject, the free-thinking, self-conscious individual" (Brown 1995b, p295).

### ***Postmodern Perspective***

The postmodern perspective argues that self-identity of consumers is important, and there is no pre-given essence within consumers, which influence them on their decisions (Brown 1995a, p23-29). Brown discussed that the postmodern perspective emphasized on "creativity, autonomy, and power" of consumers on their identities and changes (Brown 1995b, 292), because consumers are changing their character and values frequently.

Hence, consumers' choice decisions are not only for products' functions but also for their "symbolic meanings" (McCracken 1988).

There are two directions in symbolic meanings, inward to constructing internal identity, which is called self-symbolism and outward to external identity, which is social-symbolism (Elliot 1997, p285-296). Advertising is regarded as an important symbolic meaning, as it usually delivers cultural meanings to consumers. When the advertising arrives to consumers, it becomes a brands resource, which is the main character of a product and maintains product's identity.

### **2.3 Conclusion for Consumer Behavior Theories**

The positivist or traditional perspectives are similar in terms of relating with same principles in positivist paradigm. However, positivist perspectives have been criticized that they assumed consumers as fixed objects, and ignored consumers' complexity and experiences. Interpretive perspective requires qualitative study to indentify consumers' natural essence based on their previous consumption experience. Postmodern perspective strives to find out different self-identities of consumers. However, both interpretive and postmodern perspectives have been criticized that they built their theories on an abstract level and has divorced from some practical marketing situations.

When consumer behavior theories are applied to the study about consumers' attitude towards Volvo cars, several main points should be considered.

- Consumers and product or brand are a pair of stimuli, consumers have classical condition to each brand through marketers' promotion of their products. Look back to Hollywood movies in 1970s, Volvo automobiles were labeled as the safest car. In Volvo automobiles advertising, people are able to walk out from automobiles safely in traffic accidents. Hence, Volvo automobiles and safety are a pair of stimuli, when the automobile is mentioned. Safety is Volvo automobiles' superiority.

- The way consumers receive information about their purchase is automatic and passive, the information will affect consumers' behavior and opinions on decision making. For example, advertisement running during the air broadcasts is better received than flyers delivered to drivers directly.
- Individual internal factors influence consumer behavior, different people with different personalities and different lifestyles consider products and brands in different ways. And their consumption results are different. Meanwhile, external factors such as social factors can change consumers' behavior. Consumers' social status and their identities decide their opinions and ideas on products. To understand different groups of consumers, and to find out the suitable groups for Volvo automobiles are necessary and important to increase sales and to occupy its target market.
- Among all the ways to segment automotive market, car manufacturers usually segment automotive market through demographic factor, because car manufacturers can produce suitable cars for their target consumers (Lei 2008).

### **3. Research Methodology**

#### **3.1 Research Approach**

I have used exploratory research and conclusive research as two methods to conduct my market research. Exploratory research is used to form a general understanding of a problem, which there is not much information about. Researchers usually use exploratory research to study a new topic, and the results always end with gathering general information concluding which factors should be included in the study. The results also invite further study. The methods used to do exploratory research are reading previous and empirical studies, interviewing professors in the related field, and doing fieldwork (Robert Alan Stebbins 2001). Conclusive research has been used to make conclusions through quantitative data collection and analysis. Also, conclusive research is used to test hypotheses and analyze the relationship among variables (Paurav SHUKLA 2008).

Hence, this study used exploratory research such as literature reviews and interviews to get a general direction and background information to begin the study of consumer behavior and the Volvo Car Corporation's market in China. Whereas, conclusive research had been used for the quantitative data collection and analysis in order to make conclusions. I started from exploratory research to understand the study subjects "automobile" and "consumer" by empirical studies and interviews with related people in the automobile industry. The conclusive research about consumers' attitudes to Volvo automobiles was completed through collecting and analyzing data from the questionnaires and analyzing problems. And the market in the east coast of China was found out. However, according to the close relations between exploratory research and conclusive research, the questionnaire was designed based on the information from interviews, and the interview was designed based on the theories mentioned in the literature.

## **3.2 Data Collection**

This chapter was connected with the source of data, data collection including qualitative data and quantitative data, data analysis and the limitation of data.

### **3.2.1 Data Source**

In this study, first hand material and data were used. First hand material or primary data is the original data collected by researchers (Parasuraman, Grewal, & Krishnan 2011). The first hand material used in this study was the data collected from interviews and questionnaires. A semi-structure interview was designed and used with two Volvo automobile dealers and one journalist who worked in an auto magazine in China. There were three parts in the questionnaire, respondents' information, respondents' attitudes towards automobiles, and respondents' attitudes towards Volvo automobiles. There were 200 questionnaires handed out, and 178 were collected back. It was a high feedback rate, because I participated in several events and conferences about management and business in Shanghai through a friend's connection, where I managed to get around 150 questionnaires back. The rest of the questionnaires were from people that I ran into at automobile shops and coffee shops.

### **3.2.2 Qualitative Data Collection**

Qualitative data had been collected through interviews. Several interviews were conducted in this study in order to obtain the information about Chinese consumers' opinions on automobiles' important factors and Volvo automobiles' features.

Generally, researchers use four types of interviews to interviewees, unstructured, structured, semi-structured and narrative interviews. Unstructured interviews are quite open, interviewers don't have to prepare much on the topics, but need to make sure that interviewees talk on the right track. Semi-structured interview is a flexible method during an interview, which allows new ideas and questions to come up in the middle of the

interview according to the conversations with the interviewees. Interviewers need to guide the whole interview process by holding topics and questions that “the interviewer can ask in different ways for different participants” (Lindlof and Taylor 2002, p195). A structured interview provides interviewees with detailed questions and a few open questions, and it is commonly used in focus group studies to compare each interviewee’s response. Narrative interview is the style that both interviewers and interviewees talk freely about different factors within a topic (Guthrie, 2010). This research used semi-structured interview, because it was a good way for me to get inspired during the interview. The three main interviewees were one journalist and two Volvo automobile dealers in Shanghai. The journalist had the latest and the most accurate information about automotive activities in China. The two dealers had been sensitive to Volvo automobiles’ market and the consumers, because they faced the consumers all the time, even tiny changes of consumer behavior could be sensed.

### **3.2.3 Quantitative Data Collection**

I used questionnaires to collect quantitative data for this study. Questionnaires are generally used in the market research to gather quantitative data in order to understand consumers’ attitude and their behavior. And they are also used to retrieve factual data by researchers. When collecting quantitative data, researchers should use standardized tests and tools, because the data will be used to make generalizations and conclusions for study and for further research (Parasuraman, Grewal, & Krishnan, 2011). There are two main ways that participants are provided to answer the questionnaires, one is multiple choice and the other is open answers. However, open answers are more valid, as it leaves space to the participants, comparing to multiple choices questions. The reason is participants can only choose from provided options in multiple choices questions (Guthrie 2010). From the study about the Chinese consumers, they prefer the multiple choices questions than open answer questions. That is why my questionnaires only had multiple choices questions. All my questionnaires’ participants were Chinese consumers with sufficient income levels and had possibilities to purchase Volvo automobiles.

### **3.3 Data Limitation**

Only several respondents were Volvo automobile users in my questionnaires, but I put them together with other respondents rather than setting them into one group, because they might not get involved in the brand decision-making process. On the other hand, they were a small group, comparing to the scale of Chinese automotive owners. The Volvo automobiles potential consumers would be all Chinese consumers with a certain purchasing power. Hence, to know about all Chinese automobile consumers was more meaningful than to study only Volvo automobile owners.

The region where I handed out questionnaires and had interviews was Shanghai, so the results were used to explain the consumers and the automobile market only in the Shanghai region. China is such a big and diverse country, different regions have different cultures, and residents in different areas are holding different opinions even on similar subjects according to their living environments and social status. Thus, this study could not represent of all Chinese consumers, but only the consumers around Shanghai or the consumers who purchase in Shanghai.

## **4. Empirical Research Study**

In this chapter, two parts were included. One was how to develop automotive relevant factors; the other was the explanation of the demographic factors.

### **4.1 Automotive Relevant Factors Development**

The way I developed the relevant automobile factors of the questionnaires was to interview a journalist.

**Table 1 Automobile Relevant Factors' Development**



Table 1 showed how my questionnaire was produced, firstly I had interview with a journalist to gain relevant information about the Chinese automobile industry, based on the information, I determined the main factors for the questionnaire, and questionnaires were produced in the end.

From the interview, seven factors influencing consumers' decisions when they purchased cars were conducted, including price, brand, safety, external design, internal design, fuel consumption, drivability and after-sale service, see Table 2. Environmental friendly factor was not mentioned in terms of interviewees' reply, because Chinese automobile users and consumers didn't think highly of environmental impact when they were driving automobiles.

**Table 2 Seven Factors of Automotive Industry**

Automotive Factors	Interpretation
Price	Expense on automobiles influenced consumers' behavior and decisions
Brand	Automobile brand influenced consumers' selection and behavior
Safety	Automobiles' safety system such as airbag and ABS systems influenced consumers' selection and behavior
Exterior Appearance	Automobiles' exterior appearance design such as the length, width and height influenced consumers' selection and behavior
Interior Design	Automobiles' interior design such as interior space, material of chairs influenced consumers' selection and behavior
Fuel Consumption	Automobiles' fuel consumption influenced consumers' selection and behavior, due to fuel price in China
Drivability	Automobiles' general qualitative evaluation, such as the smoothness and engine power delivery
After-sale Service	Automobiles' service such as the guarantee and repairing influenced consumers' selection and behavior

Source: Author's interview with Huang, 2012

## 4.2 Demographic Factors

Based on the consumer behavior theories, I divided the Chinese consumers into different demographic groups, when I studied the Chinese consumers' attitudes towards Volvo automobiles and when I found out Volvo Car Corporation's market. There has been a clear connection among the theories, demographic factors and consumers in Table 3.

**Table 3 Relations on Theories, Demographic Factors and the Study**



**Table 4 Measurements of Demographic Factors**

Demographic Factors	Measurement	
Age	Under 25	26-35
	36-45	46-59
	Over 60	
Gender	Male	
	Female	
Education	Low than High School	High School
	College/University	Master and higher
Occupation	Official	CEO
	Manager	Staff
	Private Business Owner	Others
Monthly Income (RMB)	5000-9000	9000-20,000
	20,000-35,000	More than 35,000
Usage of a Car	Family Use	Individual Use
	Working Use	To Show Social Status

Source: Author's interview with Huang, 2012

Table 4 showed the demographic factors, which I used to study Chinese automotive consumers.

### ***Age***

Consumers with different ages have different preferences when they purchase automobiles. According to the World Health Organization (WHO), people have been divided into different groups based on their ages, 25 and under 25 is adolescence, between 26 to 35 is youths, 36 to 45 is life's prime, 46 to 59 is middle age, 60 and over 60 is old age (Popenoe 2000). Consumers between the ages 25 to 45 are the main automobiles purchasing people in China, comparing to other ages (Lei 2008).

### ***Gender***

Researchers have found that gender to be one of the determining factors when the consumers purchase automobiles. For example, male consumers prefer the exotic sports automobiles, while female consumers prefer the practical brand ones. According to the males and females' tastes and demands, an automobile's appearance design such as the color and size, is the key point when the female consumers choose automobiles, while males consider the function and performance more (Paco Underhill 2000, p49).

### ***Education***

Consumers' educational level influences their consumption values and opinions. According to Chinese national condition, educational levels include high school and lower than that, college and university, master and doctor (Zhang 2007).

### ***Occupation***

Consumers with similar occupations have similarities in their surrounding condition, such as social status and working environment, so they show similarities in lifestyles and value orientations. And the products they purchase have similar features (Lei 2008).

### ***Monthly income***

In China, there are three segmentations on the income distribution system, low income, middle income, and high income. Consumers' monthly income level determines their consumption capacities, especially on the expensive products like automobiles. High-income consumers have a wider choice of automobiles; the factors they consider are more related to the automobiles' performances and brands. On the contrary, low-income consumers have a limited purchasing power; so they consider the automobiles' price more important than other factors (Zhao, Hu, & Wei 2010). I divided Chinese automotive consumers' income into four groups as the following Table 5.

**Table 5 Chinese Automotive Consumers' Income Segmentations**

Income Class	Monthly Income
Middle Low Class	5000 to 9000 RMB
Middle High Class	9000 to 20,000 RMB
High Class	20,000 to 35,000 RMB
Super High Class	More than 35,000 RMB

### ***Usage of automobiles***

The usages of the automobiles influence the consumers' opinions on the automobile consumption. For example, when drivers use automobiles more often, the drivers would purchase automobiles with good power performances. When automobiles are used to show social status, the exterior design and interior design become more important to the consumers (Huang Gang 2012). Working use here referred that automobiles were used as commuting tools when consumers go to work.

## **5. Data Analysis**

In this chapter, the data collected from questionnaires was analyzed through excel. There were three parts in this chapter, respondents' background analysis, consumer behavior on automobiles in general, and consumers' attitude towards Volvo automobiles.

### **5.1 Respondents' Background Analysis**

The data for this study was based on the 200 questionnaires, which were distributed and collected in the Shanghai region. 178 of 200 questionnaires were collected and used in the analysis section, the invalid ones were removed.

**Table 6 Information of Respondents**

**N=178**

Item		Frequency	Percentage
Gender	Male	94	52.8%
	Female	84	47.2%
Age	≤ 25	0	0%
	26-35	43	24.2%
	36-45	70	39.3%
	46-59	62	34.8%
	≥ 60	3	0.17%
Education	Lower than high school	1	0.06%
	High school	53	29.8%
	College/ University	98	55.1%
	Master and high level	26	14.6%
Occupation	Official	14	7.9%
	CEO	0	0%
	Manager	65	36.5%
	Staff	24	13.5%

	Private business owner	28	15.7%
	Others	47	26.4%
Monthly income	5000-9,000 RMB	55	30.9%
	9000-20,000 RMB	92	51.7%
	20,000-35,000 RMB	19	10.7%
	≥ 35,000 RMB	12	6.7%
Whether owning automobiles	Yes	96	53.9%
	No	82	46.1%
Whether planning to purchase automobiles	Yes	72	40.4%
	No	106	59.6%
Having difficulties to purchase automobiles	Yes	5	3%
	No	173	97%
Whether taking loan from bank to purchase automobiles	Yes	0	0%
	No	178	100%

Table 6 showed the information of respondents. Among all respondents, 52.8% were men and 47.2% were women. Most of the respondents were aged from 26 to 59, only 3 were over 60 years old, while none was younger than 26. Most respondents were highly educated, and only less than 1% respondents hadn't reached high school education level. Over half of respondents worked in the companies with the occupations as either managers or staff, comparing to 15.7% private business owners and 7.9% officials. 82.6% respondents belong to middle-income level with monthly income between 5000 to 20,000 RMB (\$820-\$3171). High-income respondents took over 17.4%. 53.9% respondents owned a car, while 46.1% did not. Surprisingly, only 3% respondents had problems or difficulties to purchase automobiles. None of the respondents would take or had ever taken loans from banks, which was an abnormal phenomenon comparing to the western countries. An automobile magazine journalist had explained the reason that the bank's loan interest rate on automobile consumption in China was annual around 6%, which was almost equal to China's annual inflation. The consumers had to pay 12% more

of automobiles' price every year if they had taken loans without income increasing. This number was too high for them. Only during the zero interest bank loan sales packages' period, the consumers would like to take loans from banks. However, the zero interest packages were another sale promotion methods for consumers instead of decreasing automobiles' price consumers, because automobiles producers paid the interests to banks (Huang Gang, 2012).

## **5.2 Analysis on the Consumers' Attitudes towards Automobiles**

This part showed and described questionnaires' results on consumers' attitudes to all automobiles. From this part, we could get general understandings on all respondents; meanwhile, the consumers with different demographic features had been studies.

### **5.2.1 Analysis on the Consumers' Attitudes towards Automobiles from a General Perspective**

#### ***Distributions of Automobiles' Price***

**Table 7 Proportion of Price Range of Automobiles**

	<b>Frequency</b>	<b>Valid Percentage</b>
≤100,000 RMB	39	22%
100,000-250,000 RMB	81	46%
250,000-350,000 RMB	36	20%
350,000-500,000 RMB	15	8%
≥500,000 RMB	7	4%
Total	178	100%

Table 7 showed the distributions of automobiles' choices according to the automobiles' price. 46% of the respondents chose automobiles with price range from 100,000 RMB to 250,000 RMB; followed by 22% with 100,000 RMB and lower as their price choices; 20% chose automobiles priced between 250,000 RMB to 350,000 RMB; 8% of the

respondents' choices were between 350,000 RMB to 500,000 RMB; and only 4% chose automobiles with price range from 500,000 RMB and higher. According to the result, 88% consumers chose the automobiles with price cheaper than 350,000 RMB, which was the most acceptable price range in China.

### ***Distributions of Automobiles' Performances***

**Table 8 Proportion of Automobiles' Performances**

	<b>Frequency</b>	<b>Valid Percentage</b>
Price	38	21%
Brand	18	10%
Safety	18	10%
Exterior Design	22	12%
Interior Design	14	8%
Drivability	28	16%
Fuel Consumption	25	14%
After-sale Service	15	9%
Total	178	100%

Table 8 showed the features of automobiles' performances that the respondents considered important when they chose automobiles. Among eight features, price was the first feature that the respondents would consider with the percentage of 21%. The second important feature was drivability, followed by fuel consumption and exterior design. The last two features that the respondents considered when they purchased automobiles were after-sale service and interior design.

### ***Distributions of Automobiles' Usages***

**Table 9 Proportion of Automobiles' Usages**

	Frequency	Valid Percentage
Family Usage	44	25%
Individual Usage	33	18%
Work Necessary	67	38%
Symbol of Social Status	34	19%
Total	178	100%

Table 9 showed the distributions of automobiles' usages, 38% respondents answered that they had to buy automobiles because they used them as commuting tools for work. 25% showed automobiles were for families; followed by 19% that automobiles were the symbol of social status, which was related to the exterior design factor in Table 15. And 18% claimed they purchased automobiles for individual usages.

### ***Distributions of Decision-Maker on Automobiles' Consumption***

**Table 10 Proportion of Decision-Maker of Automobiles' Consumption**

	Frequency	Valid Percentage
Buyers Themselves	32	18%
Family	59	33%
Friends	38	21%
Media	49	28%
Total	178	100%

Table 10 showed the distributions of the decision-maker on the automobiles' consumption. Only 18% believed themselves and made decisions by themselves when they purchased automobiles. 33% took family opinions; 28% gathered information from media, such as forums and advertisement; and 21% accepted friends' suggestions.

### ***Distributions of Access to Automobiles' Information***

**Table 11 Proportion of Access to Automobiles' Information**

	<b>Frequency</b>	<b>Valid Percentage</b>
Advertisement	63	35%
Official Website	5	2%
Movie and TV Series	19	11%
Internet Forum	42	24%
Friend	49	28%
Total	178	100%

Table 11 showed the distributions of the access to automobiles' information. Within 5 accesses, advertisement the most useful and efficient way to get information, because it was used most, followed by the access from friends and Internet forums. Few respondents obtained automobiles' information from the official websites.

### ***Distributions of Frequency on Gaining Automobiles' Information***

**Table 12 Proportion of Frequency on Reading Information**

	<b>Frequency</b>	<b>Valid Percentage</b>
Everyday	6	3%
Twice a Week	1	0.3%
Once Every Week	3	1.7%
Twice a Month	5	3%
Only When Needed	163	92%
Total	178	100%

Table 12 showed the distributions of the frequency when the Chinese consumers read automobiles' information. Apparently, most of the respondents did not have the habit to read automotive news regularly, or had no interest in automobiles, because information was always read when the consumers needed to and when they had to.

### **5.2.2 Analysis on Consumer Attitudes towards Automobiles from the Perspectives of Different Consumer Groups**

In this part, Chinese consumers were divided into different groups according to demographic features, and the results of the questionnaires disclosed their attitudes towards automobiles.

#### ***By Gender***

This part was to find out the attitudes towards automobiles from the respondents in different genders.

**Table 13 Different Genders and Automobiles' Price**

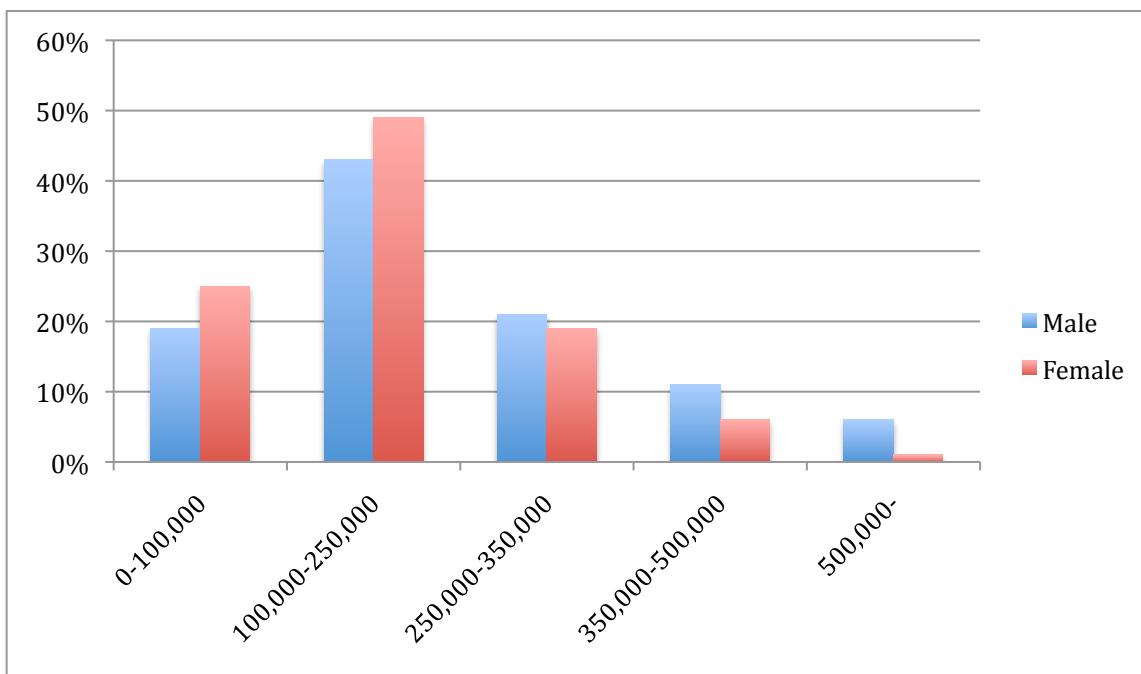


Table 13 showed different genders' opinions on the automobiles' price during consumption. Most respondents chose automobiles' price with the range below than 350,000 RMB. 49% males preferred the price between 100,000 to 250,000 RMB, comparing to 42% females. 17% males chose the automobiles priced higher than 350,000

RMB, comparing to 7% females. In the price range higher than 250,000 RMB, there were more males than females.

**Table 14 Different Genders and Automobiles' Performance Features**

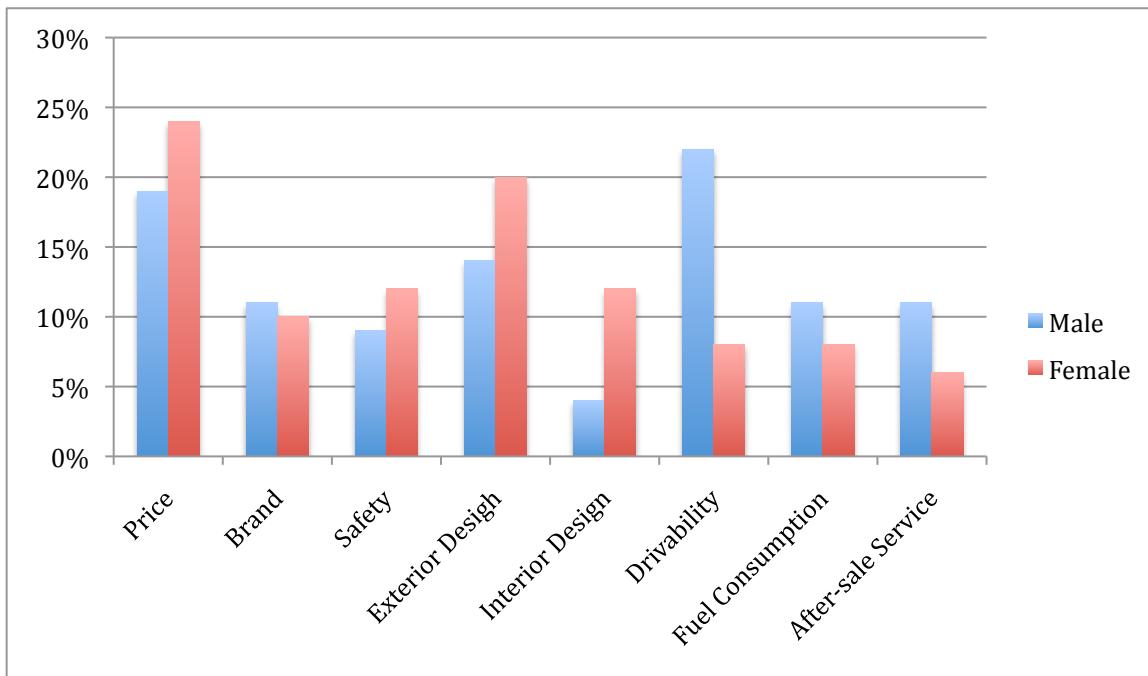


Table 14 described different gender opinions on automobile performances when they purchased automobiles. 22% males considered drivability the most important factor, comparing to 8% females. 24% females considered price the most important feature, comparing to 19% males. 20% females took exterior design as a priority, which 14% males would consider. Females considered safety and interior design more important than males. Males considered fuel consumption and after-sale service more important than females. Around 10% of both males and females had considered brands when they purchased automobiles.

The top three performance features that females considered when they purchased automobiles were price, exterior design, safety and interior design (both safety and interior design got 10%). Comparing to males, the features were drivability, price and exterior design.

**Table 15 Different Genders and Automobiles' Usages**

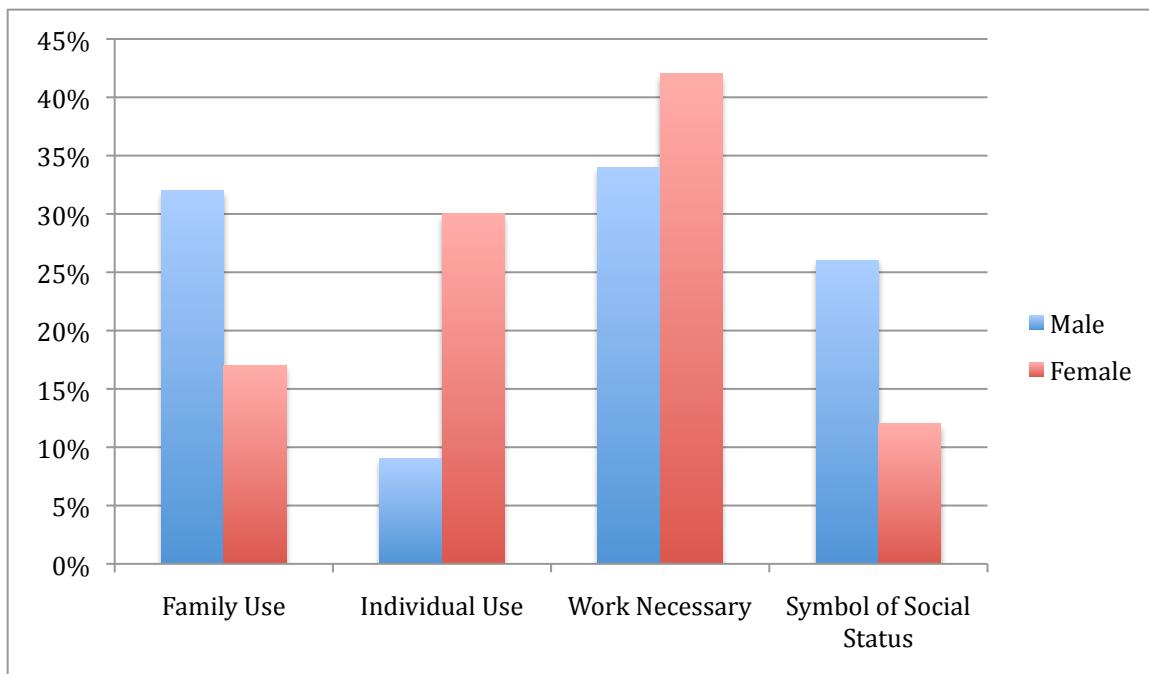


Table 15 demonstrated that the respondents with different genders purchased automobiles for different usages. 42% females and 34% males purchased automobiles because of the necessity of work. 32% males purchased automobiles for family usages, comparing to 17% females. 26% males used automobiles to show their social status, comparing to 12% females. 30% females purchased automobiles for individual usage where only 9% males used automobiles. The least amount of males purchased automobiles for individual use, and the least amount of females purchased automobiles for showing social status.

**Table 16 Different Genders and Decision Makers on Consumption**

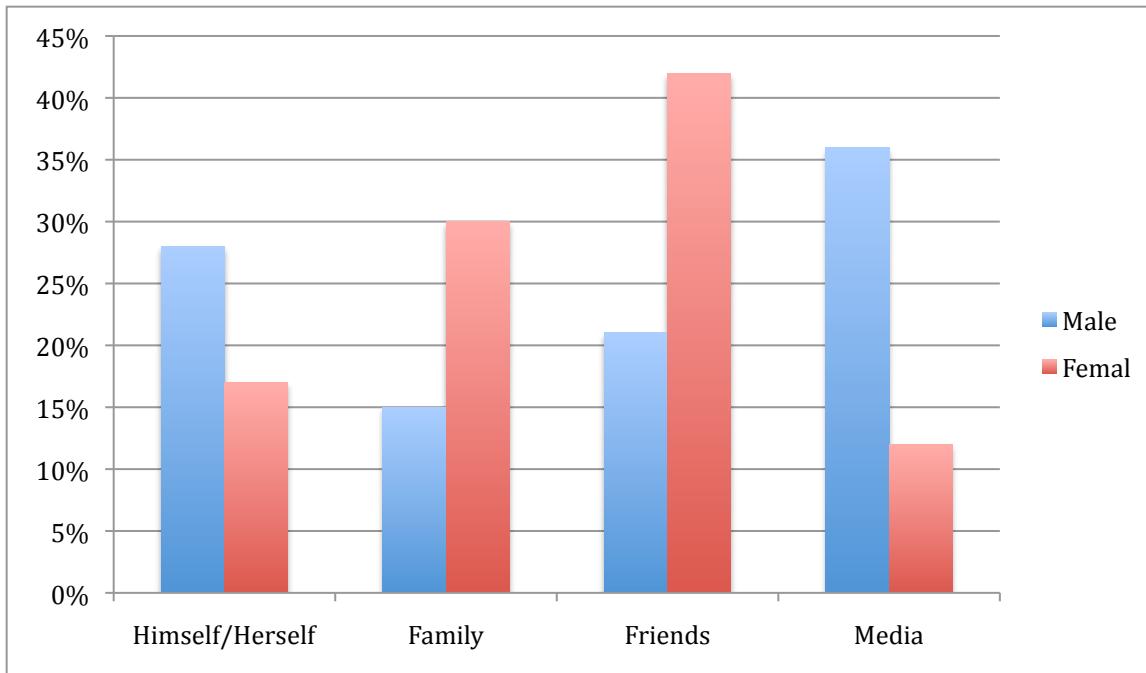


Table 16 described the decision makers on automobiles' consumption among the respondents with different genders. A large part of females took friends' suggestions, while major males made decisions based on information from media, such as advertisements and Internet forums. However, only 12% of females trusted information from media, and only 15% of males trusted their families on making decision.

### ***By Occupation***

According to the previous studies and discussions in chapter 3, the consumers with same or similar occupations were holding similar opinions on consumptions. This part was to find out the relevant answers about different occupations' respondents' attitudes towards automobiles, including automobiles' price and performance. We had five different occupations, manager, official, employee, private business owner, and others.

**Table 17 Different Occupations and Automobiles' Price**

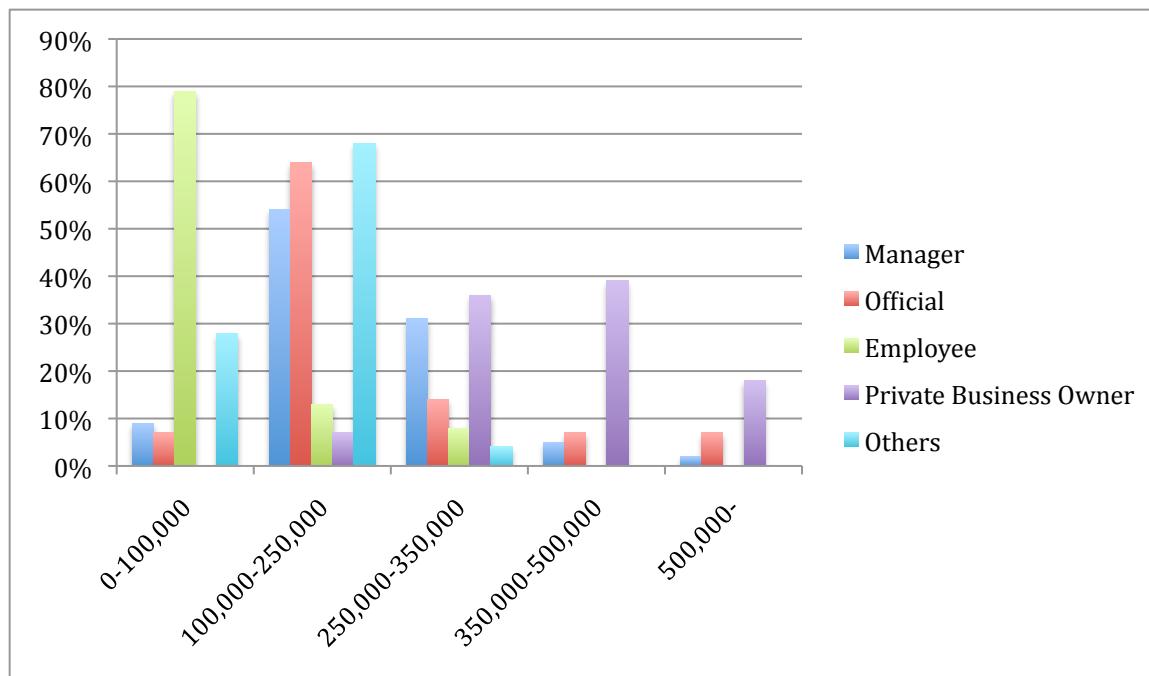


Table 17 showed different choices on the automobiles' price according to the different occupations of the respondents. 79% employees chose the automobiles not more expensive than 100,000 RMB, where no private business owners chose. 54% managers, 64% officials and 68% respondents with other occupations chose the automobiles with the price range from 100,000 RMB to 250,000 RMB, comparing to 13% employees and 7% private business owners. The price range from 250,000 RMB to 350,000 RMB were preferred by 36% private business owners and 31% managers, comparing to 14% officials, 8% employees and 4% other occupations. 39% private business owners, 7% officials and 5% managers chose the price range from 350,000 RMB to 500,000 RMB, comparing to no employees nor other occupations. 18% private business owners, 7% officials and 2% managers chose the automobiles with the price higher than 500,000 RMB, comparing to no employees nor other occupations.

To sum up, the major price choice for managers, officials and other occupations was from 100,000 RMB to 250,000 RMB; the employees chose the automobiles with the price from 100,000 RMB and lower; and private business owners chose the price from 250,000 RMB to 500,000 RMB.

**Table 18 Different Occupations and Automobiles' Performance**

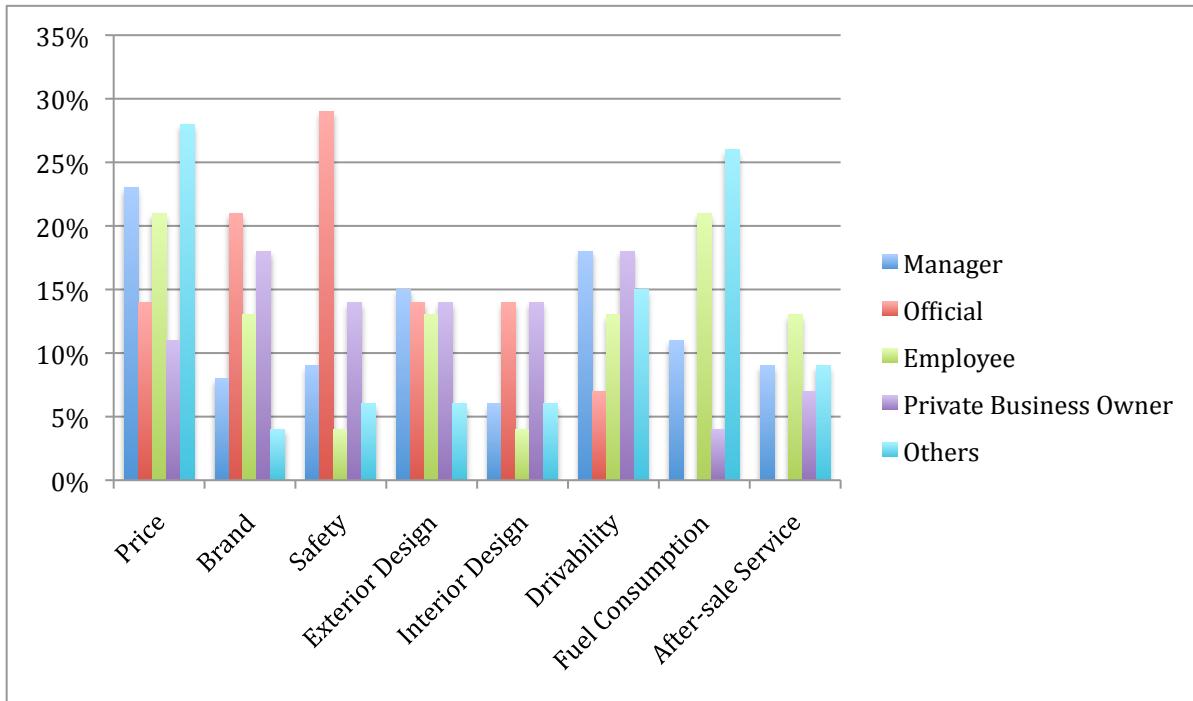


Table 18 described the important automobiles' performance features measured by the different occupations' respondents. The top three features that managers considered important were price, drivability and exterior design, while interior design was the feature that managers cared least about. Among officials, safety and brand were the most important performance features, while no officials considered fuel consumption and after-sale service important. Employees took price and fuel consumption as the important features, while they cared least for safety and interior design. Private business owners considered and put brand, drivability, exterior design, interior design and safety into the same important level; however, they cared less about fuel consumption. Other occupations considered price and fuel consumption important, and cared less about brands.

The way that the respondents chose automobiles' performance features was closely related to their financial situation such as their monthly income. Employees and other occupations were cost effective, so they listed price and fuel consumption at the top.

Managers were always trying to find a balance between price and drivability. Private business owners had more choices than all the other occupations as they could afford more expensive automobiles, so there were no specific features they considered more relatively important.

### **5.3 Consumers' Attitudes toward Volvo Automobiles**

This part was to study respondents' attitudes towards Volvo automobiles from two perspectives, one from a perspective in which respondents were considered as a big group, the other from a detailed perspective where respondents were divided into different groups according to demographic features, including gender and occupation.

#### **5.3.1 Consumers' Attitudes towards Volvo Automobiles from a Big Group**

Respondents were considered as one big group, so the result of this part could be generalized.

**Table 19 Proportion of Volvo Automobiles' Potential Ownership**

	Frequency	Valid Percentage
Yes	19	11%
No	159	89%
Total	178	100%

Table 19 showed the distributions of Volvo automobiles' purchasing possibilities among Chinese consumers. 11% respondents showed that they would buy Volvo automobiles in the future, however, 89% respondents showed that they wouldn't. The result showed that Volvo automobiles' future was at risk; thus, to find out the reason for respondents not being interested in Volvo automobiles was significant.

**Table 20 Proportion of Volvo Automobiles' Features to Purchase**

	Frequency	Valid Percentage
Price	0	0%
Brand	0	0%
Safety	178	100%
Exterior Design	0	0%
Interior Design	0	0%
Drivability	0	0%
Fuel Consumption	0	0%
After-sale Service	0	0%
Total	178	100%

Table 20 showed the distributions of Volvo automobiles' features that respondents considered important and the reason they purchased Volvo automobiles. Apparently, the only reason for all respondents purchased the automobiles was safety. No respondents would buy it for other features besides safety.

**Table 21 Proportion of Volvo Automobiles Potential Features**

	Frequency	Valid Percentage
Cost Effective	0	0%
Safe	136	76%
Well designed	0	0%
Comfortable	0	0%
Luxury	16	9%
Expensive	21	12%
Swedish Spirit	5	3%
Total	178	100%

Table 21 showed the distributions of Volvo automobiles potential features that consumers could think about when Volvo automobiles were mentioned. Besides the most important feature, safety, luxury, expensive and Swedish spirit features were also mentioned, but

within a tiny percentage. 76% respondents considered safe, 12% respondents considered expensive, 9% considered luxury, and 3% considered they were with heritage of Swedish spirits. No respondents considered Volvo automobiles cost effective, well designed or comfortable. A report about the luxury brands in China listed Volvo automobiles into its luxury index. In this list Volvo automobiles ranked No. 12, which was higher than Ferrari, Cadillac and Maserati (Digital-luxury 2012). However, from the way the report listed the luxury brands and the luxury brands included, I held little trust on it. The reason was that it put Clinique's position higher than Cartier, and even Shiseido was on the list. Comparing to the list on the top 100 luxury brands, the Volvo automobile was mentioned (World Luxury Association 2012). Hence, I couldn't link Volvo automobile brand to luxury.

**Table 22 Proportion of Acquisition Influence**

	Frequency	Valid Percentage
Yes	144	81%
No	0	0%
Don't Care	34	19%
Total	178	100%

Table 22 showed the distributions that whether the acquisition of Volvo Car Corporation and Geely Holding Group would influence consumers' decisions when they intended to purchase Volvo automobiles. 81% respondents showed that the acquisition would influence their decisions, 19% showed they didn't care, but no respondents showed they wouldn't change their minds after the acquisition.

**Table 23 Proportion of Volvo Automobiles' Quality**

	Frequency	Valid Percentage
Worse	166	93%
Better	0	0%
Same	12	7%
Total	178	100%

Table 23 showed the distributions of consumers' opinions on Volvo automobiles' quality after being acquired by Geely Holding Group. 93% respondents worried about the quality, and believed it would be worse than before. 7% respondents thought there would be no quality change after the acquisition. No respondents thought the quality would be better than before.

**Table 24 Proportion of Volvo Automobiles' Producing Country**

	Frequency	Valid Percentage
Chinese Production	25	14%
Non-Chinese Production	85	48%
It doesn't Matter	68	38%
Total	178	100%

Table 24 showed distributions of consumers' opinions on Volvo automobiles' producing country after acquisition. 14% respondents thought Volvo automobiles would be produced in China as Chinese productions, 48% respondents thought the producing country would remain the same as before, and 38% respondents didn't care about the producing country. Before the acquisition, there had been several automobiles' categories produced in Chang'an factory in China. Thus, the producing country was not very important for respondents.

### **5.3.2 Consumers' Attitudes towards Volvo Automobiles from the Perspective of Consumers in Different Groups**

This part studied about the respondents' attitude towards Volvo automobiles from a more detailed perspective. Chinese consumers were divided into several groups according to gender and occupation. To study about consumer behavior from different groups, it would be easy to find the target consumers.

### *By gender*

Different genders hold different opinions and attitudes on Volvo automobiles.

**Table 25 Different Genders and Volvo Automobiles Potential Ownership**

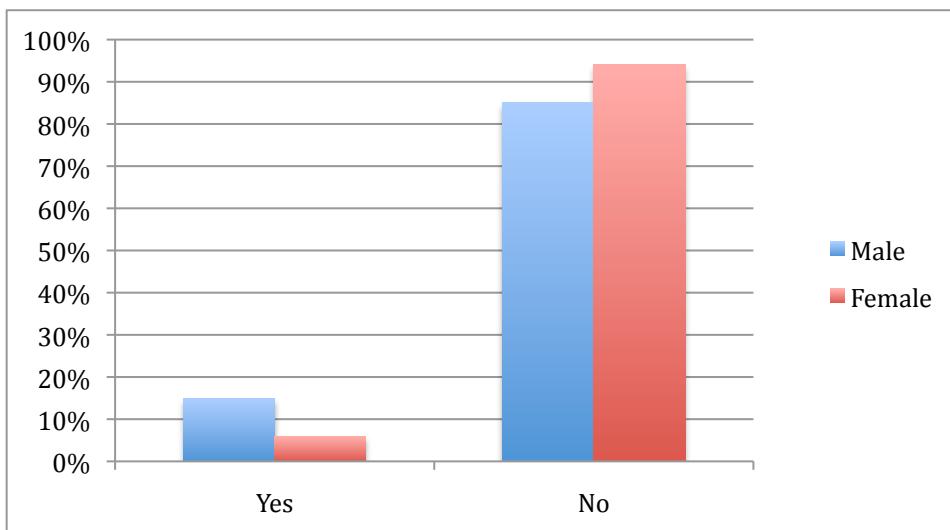


Table 25 demonstrated the proportion of males' and females' ownerships of Volvo automobiles. Males preferred to purchase Volvo automobiles with a higher rate than females. 15% males showed that they would purchase one in the future, comparing to 6% females. However, 85% males and 94% females showed no interest. Volvo automobiles' market in the Shanghai region was not competitive among all automobiles' brands in the Chinese automobile market.

**Table 26 Different Genders and Volvo Automobiles' Features to Purchase**

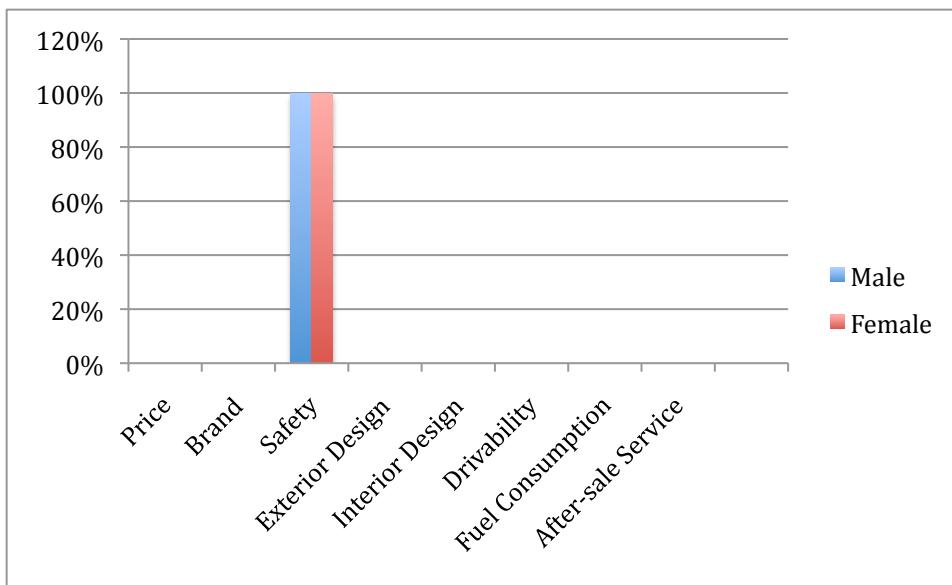


Table 26 showed different genders' opinions on Volvo automobiles' most important features when they intended to purchase Volvo automobiles. Safety was the only feature and the only reason for both males and females to purchase. No other features were mentioned in this study.

**Table 27 Different Genders and Volvo Automobiles' Potential Features**

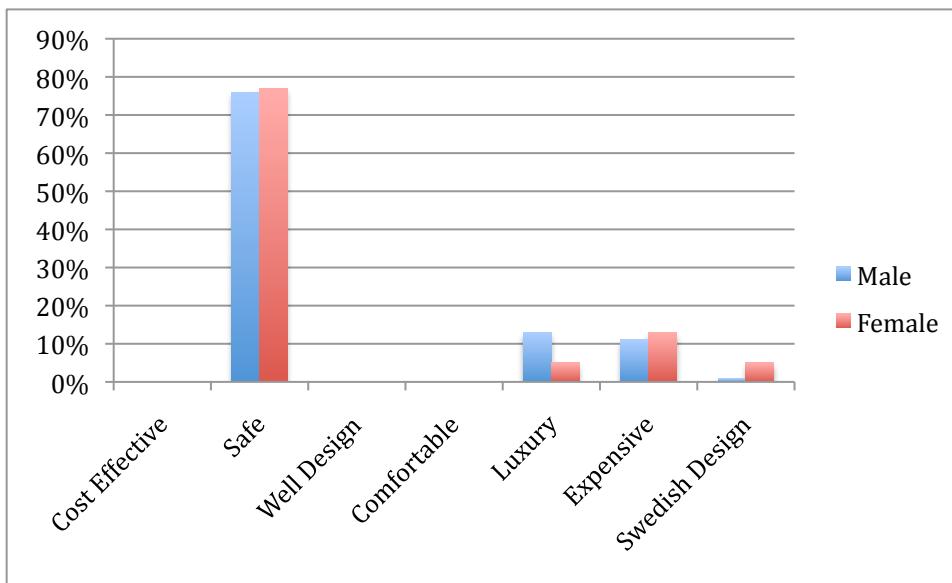


Table 27 showed the potential features of Volvo automobiles when males and females mentioned the automobiles. Besides safety, three more features were mentioned by respondents, luxury, expensive and Swedish design. 76% males and 77% females considered Volvo automobiles were safe. 13% males considered luxury, comparing to 4% females. 11% males and 13% females regarded the automobiles were expensive, and 1% males considered the heritage from Scandinavia with Swedish spirit, comparing to 5% of females. Neither males nor females considered cost effective, well designed or comfortable when Volvo automobiles were mentioned.

**Table 28 Different Genders and Acquisition Influence**

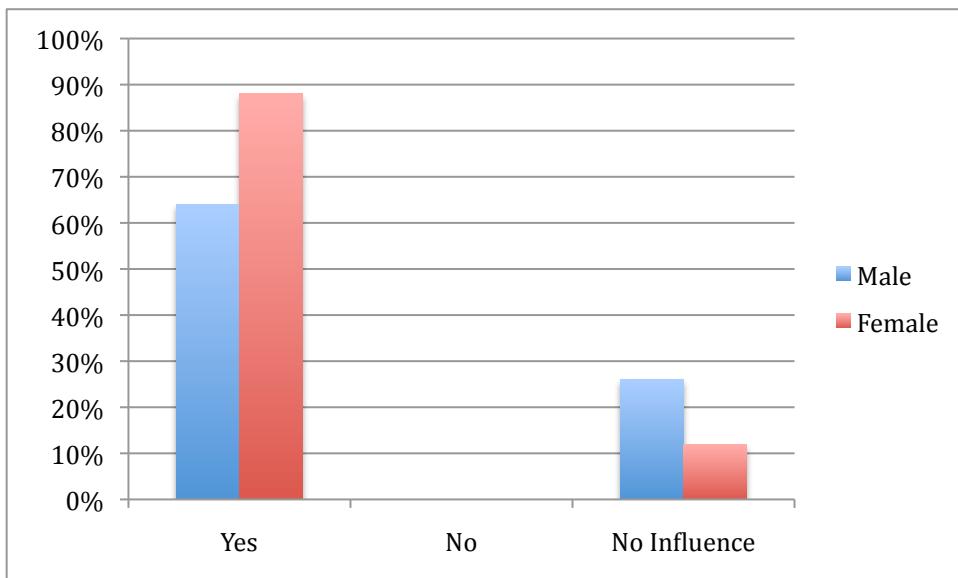


Table 28 demonstrated how acquisition influenced the different genders' respondents' decisions when they had the possibilities to purchase Volvo automobiles' purchasing. It turned out that the acquisition influenced the respondents when they made decisions. 64% males showed that the acquisition had impacts on their automobiles' choices, comparing to 88% females. 26% males thought the acquisition had no influence on their purchase decision, comparing to 12% females.

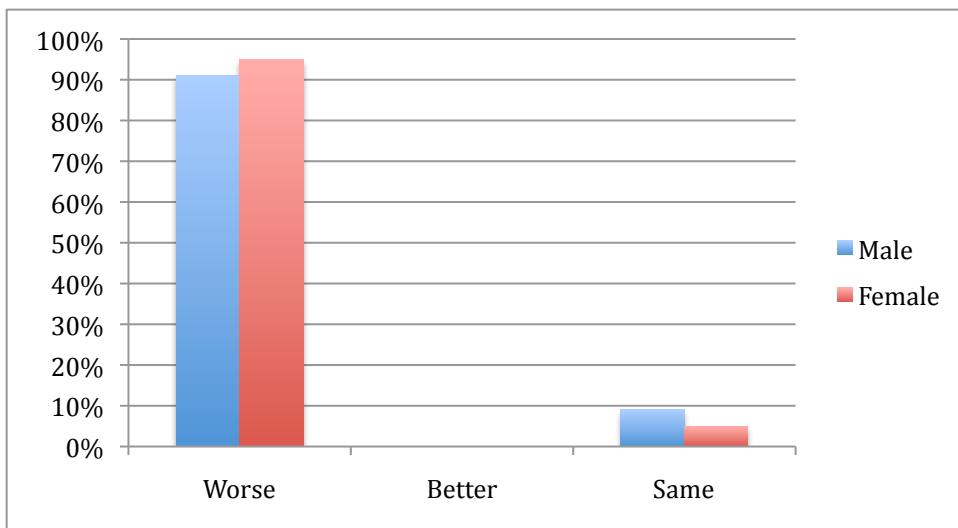
**Table 29 Different Genders and Volvo Automobiles' Quality**

Table 29 showed different genders' judgments on Volvo automobiles' quality after being acquired by Geely. The acquisition led negative effect, as 91% males thought the quality would become worse than before, comparing to 95% females. 9% males and 5% females thought the quality wouldn't be influenced. However, neither males nor females thought the quality would become better than before.

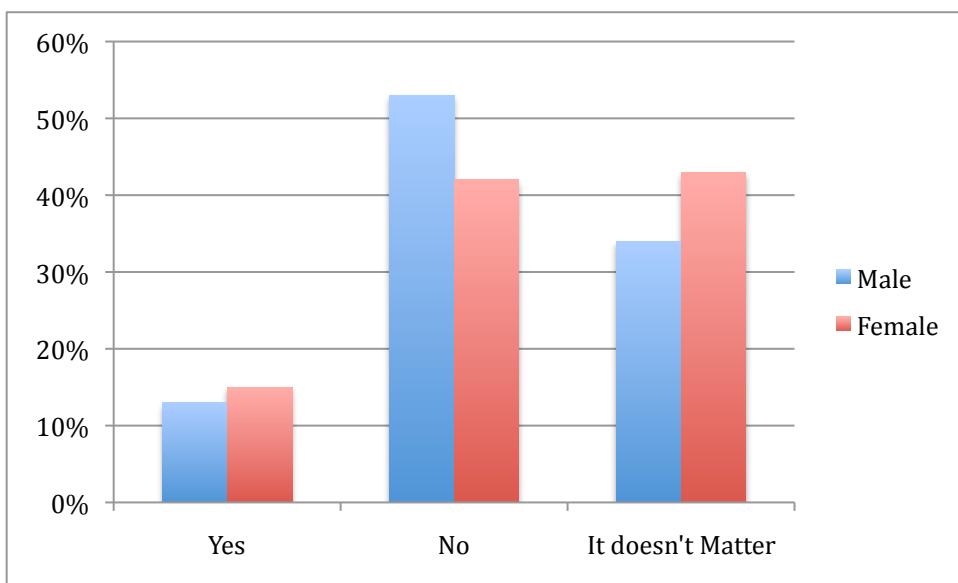
**Table 30 Different Genders and Volvo Automobiles' Producing Country**

Table 30 demonstrated different genders' opinions on Volvo automobiles' producing country after the acquisition. 13% males considered Volvo automobiles were Chinese producing automobiles, comparing to 15% females. 53% males considered its producing country would not change, comparing to 42% females. 34% males did not care about the producing country, comparing to 43% females.

### ***By Occupation***

Chinese consumers were divided into different groups by the occupations, managers, officials, employees, private business owners and other occupations.

**Table 31 Different Occupations and Volvo Automobiles' Potential Ownership**

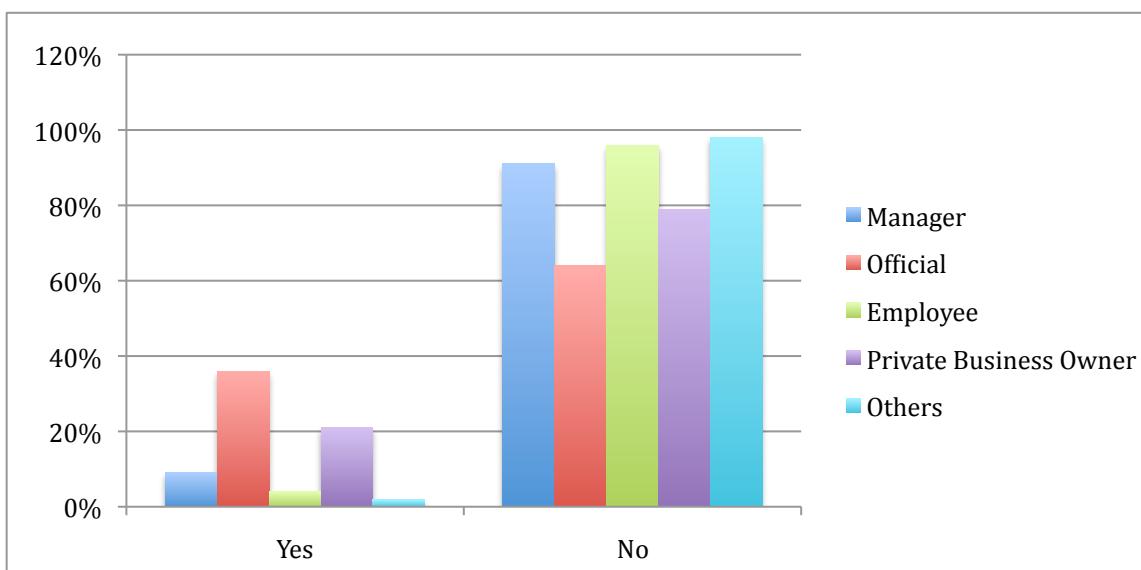


Table 31 demonstrated Volvo automobiles' future ownership in different occupations. 9% managers, 36% officials, 4% employees, 21% private business owners and 2% other occupations respondents showed their interest in Volvo automobiles' purchase in the future, while 91% managers, 64% officials, 96% employees, 79% private business owners and 98% other occupations showed no interest. The highest possibilities of Volvo automobiles' ownerships were officials and private business owners.

**Table 32 Different Occupations and Volvo Automobiles Features**

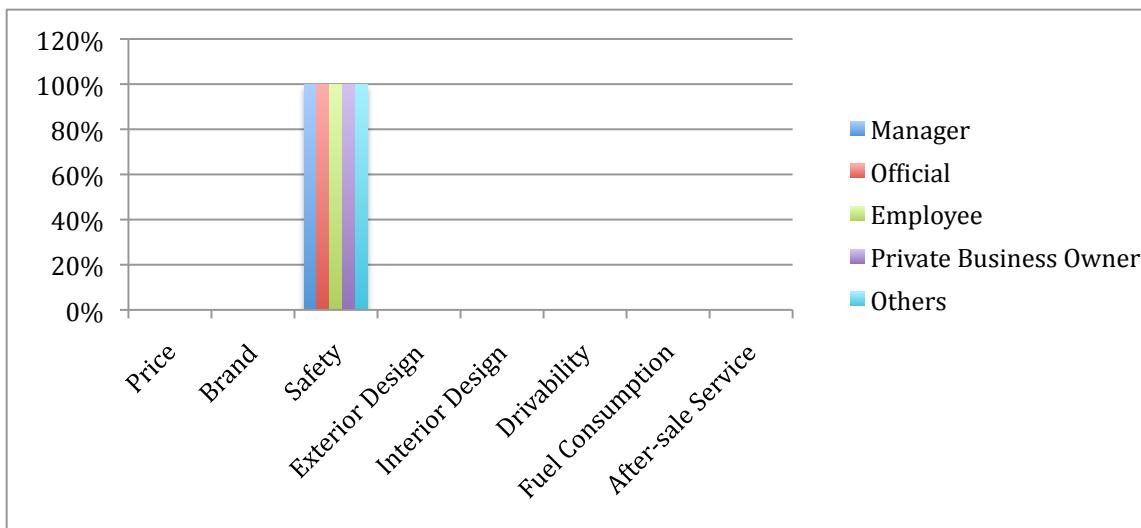


Table 32 showed the reason that different occupations purchased Volvo automobiles.

Apparently, safety was the only reason for respondents in all occupations including managers, officials, employees, private business owners and other occupations.

**Table 33 Different Occupation and Volvo Automobiles' Potential Features**

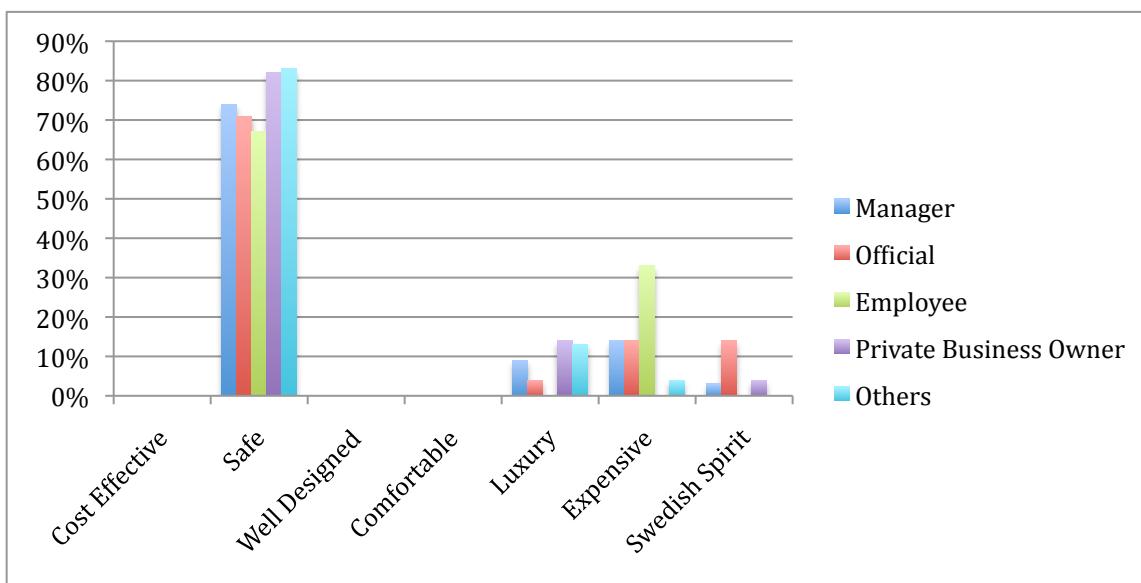


Table 33 demonstrated Volvo automobiles' features among different occupations when Volvo automobiles' were mentioned. The most important feature that all occupations had considered was safety, including 74% managers, 71% officials, 67% employees, 82%

private business owners and 83% other occupations. Among other features, 9% managers, 4% officials 14% private business owners and 13% other occupations considered luxury. 14% managers, 14% officials, 33% employees and 4% other occupations considered the automobiles were expensive. 3% managers, 14% officials and 4% private business owners considered the automobiles had the heritage of Scandinavia with Swedish spirit. However, no respondents considered they were cost effective, well designed or comfortable automobiles.

**Table 34 Different Occupations and Acquisition Influence**

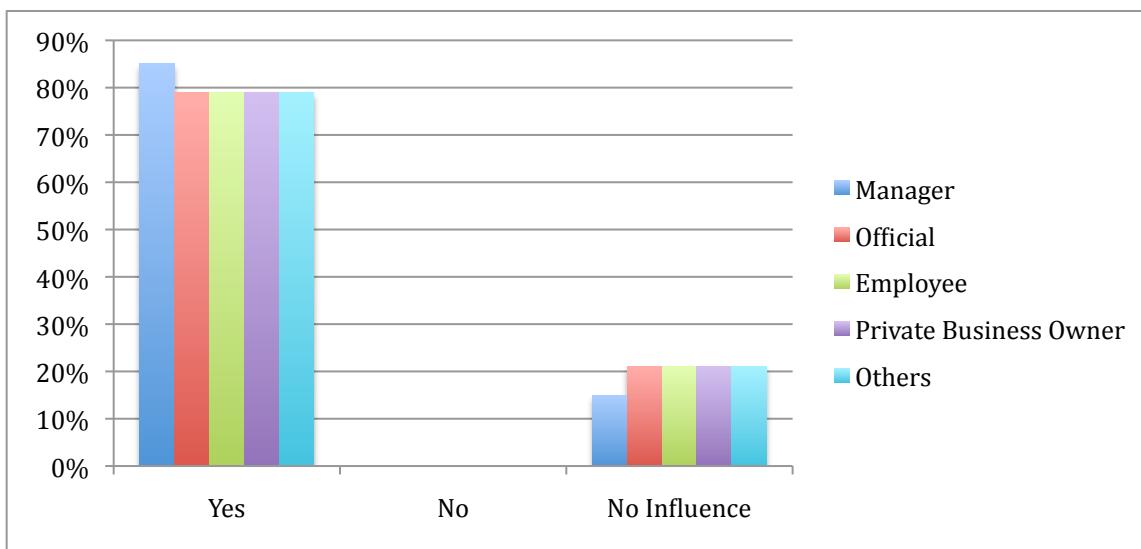


Table 34 demonstrated whether the consumers in different occupations would change their decisions on purchasing Volvo automobiles after the acquisition. 85% managers showed the acquisition could influence their decisions, comparing to 79% officials, employees, private business owners and other occupations. No respondents showed the acquisition wouldn't change their mind on consumption. 15% managers showed there would be no differences on making decisions before and after the acquisition, comparing to 21% officials, employees, private business owners and other occupations.

**Table 35 Different Occupations and Volvo Automobiles' Quality**

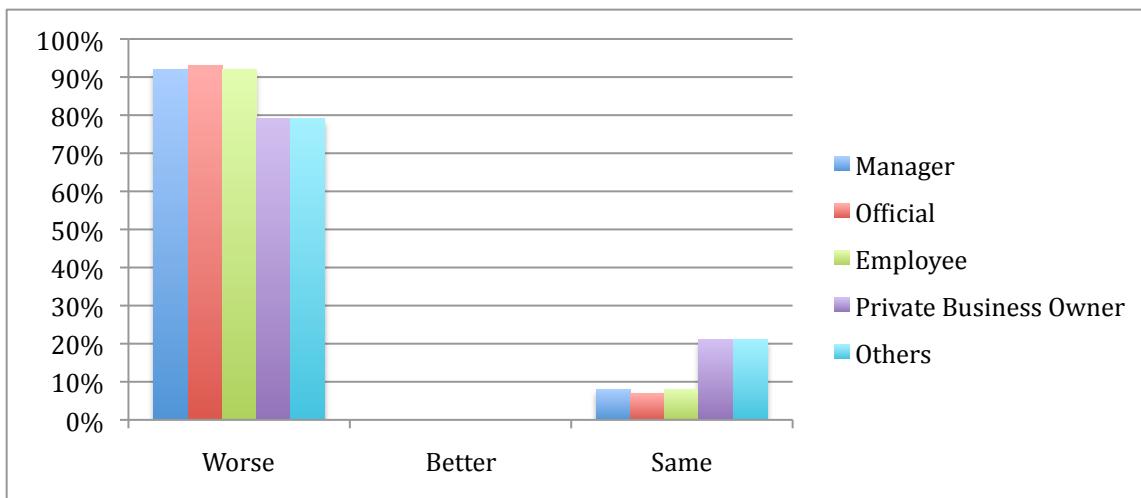


Table 35 demonstrated the opinions from the respondents with different occupations on Volvo automobiles' quality after the acquisition. 92% managers, 93% officials, 92% employees, 79% private business owners and 79% other occupations thought the quality would be worse than before. However, approximately 8% managers, 7% officials, 8% employees, 21% private business owners and 21% other occupations thought there was no change in the quality after the acquisition. There was an agreement that no respondents thought the quality would become better.

**Table 36 Different Occupations and Volvo Automobiles' Producing Country**

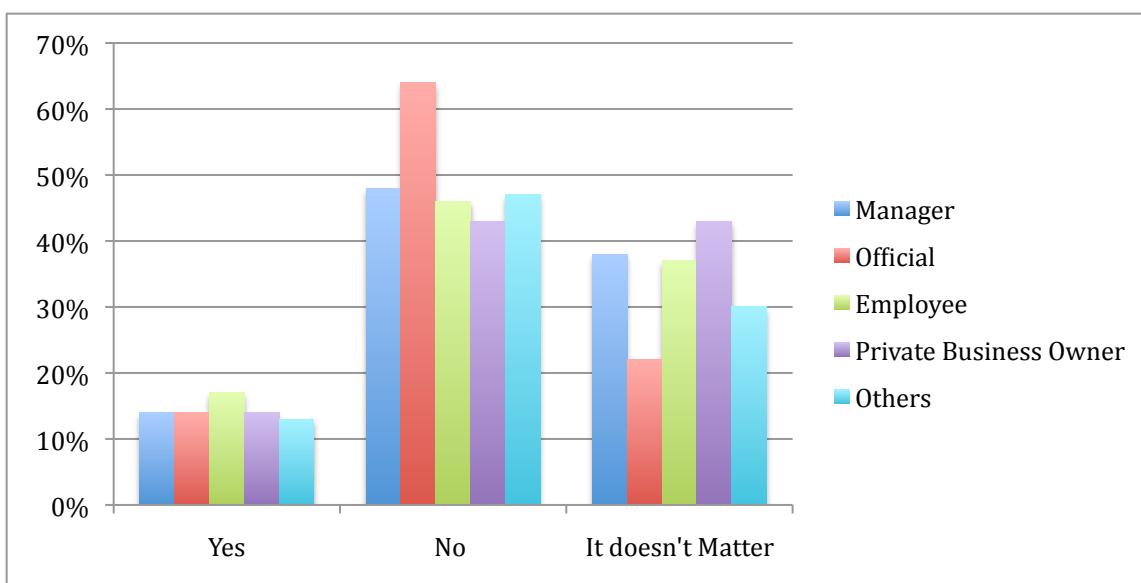


Table 36 showed the opinions of respondents with different occupations on Volvo automobiles' producing country after the acquisition. 14% managers, 14% officials, 17% employees 14% private business owners and 13% other occupations thought the producing country would be in China after the acquisition. 48% managers, 64% officials, 46% employees, 43% private business owners and 47% other occupations thought the producing country would remain the same as before. 38% managers, 22% officials, 37% employees, 43% private business owners and 30% other occupations showed no interest in the producing country change.

## 6. Discussion about Volvo Automobiles

The discussion chapter was built on the statistics collected from questionnaires and interviews' results from two automobile dealers, one automobile journalist, several staff working in the automobile industry and a few drivers I ran into randomly. There were two parts in this chapter, one was a comparative discussion between all automobiles' and Volvo automobiles' features from a Chinese consumers' perspective, the other was a comparative discussion between the results from the interviews and the questionnaire.

### 6.1 Discussion on Volvo Automobiles' Market Size

This part was to discover Volvo automobiles' potential market size in terms of safety, advertisement, price and influence of the acquisition.

#### 6.1.1 Safety

**Table 37 Comparative Data on Automobiles' Features**

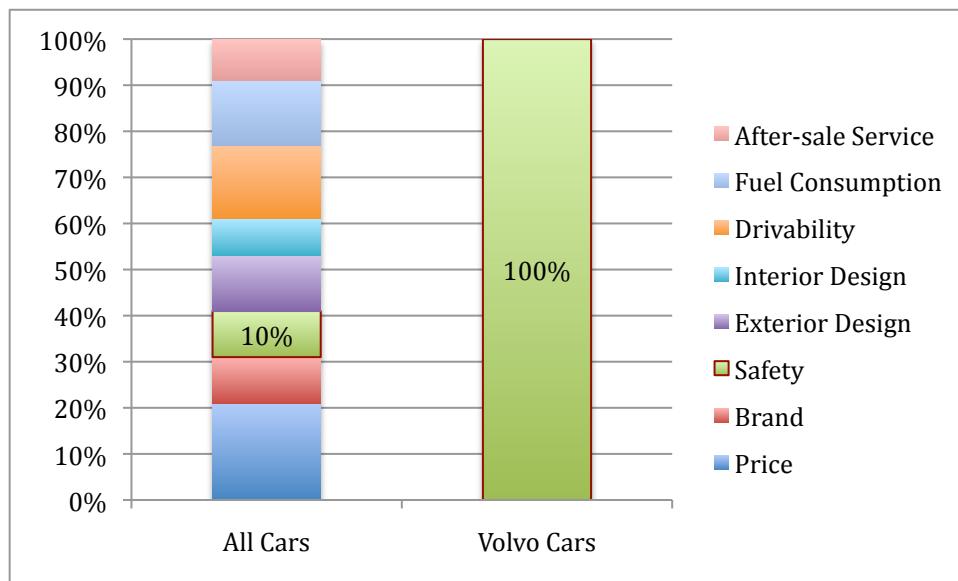


Table 37 showed 100% of Chinese consumers believed that Volvo automobiles were safe, which was also the only feature. However, if we put safety into all the automobile

features, safety only took over 10%. The safety feature according to the knowledge from Volvo Car Corporation official websites included three parts from the angle of drivers and passengers.

Firstly, Volvo automobiles' safe system for children was extensive, such as the rear-facing child seat, child roof lock, and child safety booster cushion (Volvocar 2012). Nowadays most Chinese families only have one child because of the China's one-child policy. As a result, children were indeed something of the most important to the families. When their children were babies, Chinese parents always took them with them in the automobiles. For examples, when the father was driving, the mother would sit together with the baby. The mother used to hold babies in their arms, rather than allowing them to sit in seats by themselves. Huang mentioned that Chinese parents believed babies sitting by themselves were more dangerous comparing to holding them in arms. It was quite a dangerous situation for both the parents and the babies (Huang Gang 2012). Chinese parents were lacking safety awareness of babies and they had wrong knowledge about how to save babies' life in the accidents. It had been urgent for Chinese government and automotive related organizations to disseminate babies' safety knowledge in the automobiles among the public. Nishiyama demonstrated that Chinese parents actually cared about their children's safety condition more than any other countries; relatively they spoiled their children more as well. "To be honest, it's not comfortable for the babies to sit in seats with tight seatbelts on them, so they always cry" he said, "that's why Chinese parents like to hold their babies in arms, so Volvo automobiles' baby seats and child roof lock couldn't attract the Chinese automobile consumers" (Nishiyama 2012).

Secondly, Volvo automobiles used 3-point lap/shoulder seatbelts and even automatic front height adjusting seatbelts for drivers and passengers to avoid injuries in accidents (Volvocar 2012). The research made by Michigan university and Qinghua University about the Chinese drivers seatbelts fasten rate showed that in Beijing the rate of seatbelts wearing by drivers was 26%, comparing to 3.5% in Tianjin. Only 5% of the passengers who sat in the front seats fastened their seatbelts in Beijing, while the number was 1.7%

in Tianjin, comparing to over 90% seatbelts wearing rate in the European countries (Beijing Morning News 2011).

One driver explained the reason that he seldom wore the seatbelts, “the seatbelt is like a constraint when I am driving, on the other hand, I used to drive in the crowded traffic Shanghai with a speed lower than 40 km/h, I don’t think seatbelts are necessary” (RP A 2012). Another figure from Guangxi traffic police station showed that 80% of drivers didn’t wear seatbelts even when they were driving on the express roads, with speed faster than 120 km/h. Huang added that Chinese drivers had much confidence on their driving skills, which was another reason that Chinese drivers didn’t wear seatbelts. In China, over 200,000 Chinese lost life annually in the road accidents (Huang Gang 2012). Chinese drivers and passengers ignored the meaning and the importance of seatbelts. They didn’t have comprehensive safe driving knowledge and apparently they hadn’t received related education in traffic schools or elsewhere.

Thirdly, Volvo automobiles had the alcoguard systems to avoid drivers from driving after the drinking (Volvocar 2012). From May in 2011, 8<sup>th</sup> Amendment of Criminal Law had been executed; the serious punishments on the drunk driving drivers had drawn all drivers’ attention. By the end of 2011, the drunk driving rate in China had declined 45.4% comparing to the same time in 2010, meanwhile, a 29.3% drunk driving death rate was reduced in 2011 comparing to 2010 (ChinaNews 2011). I talked to five random drivers, all of them said that they would not drive after the drinking, even though they drank very little (RP A, B, C, D, E 2012). Huang showed that because of the high pressure of the Chinese criminal law, Chinese drivers had been more careful about the drunk driving. He held a negative opinion on installing the alcoguard systems in automobiles (Huang Gang 2012). Similarly, those five drivers said they wouldn’t pay more money for the automobiles with the alcoguard systems (RP A, B, C, D, E 2012). Li, a Volkswagen owner, touched the point about the safety feature of Volvo automobiles, “all automobiles are safe and have the safety systems; it is not worth huge money only to purchase the automobiles with better safe systems, it’s not cost effective at all” (Li 2012).

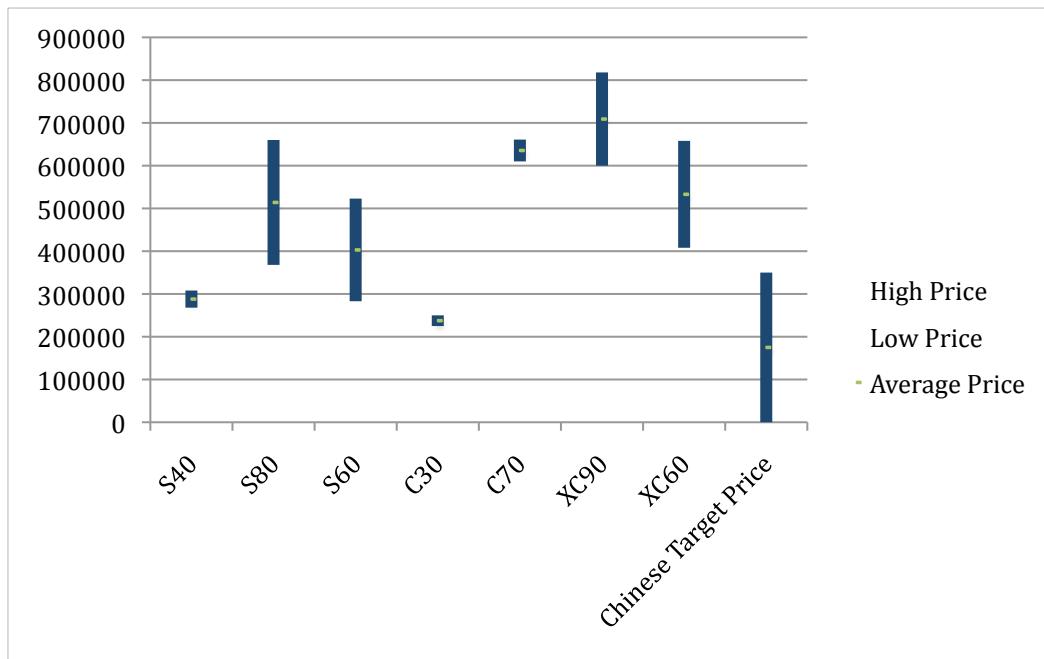
### **6.1.2 Advertisements**

Volvo automobiles have been famous for the safety, which was also the only factor that persuaded Chinese consumers to purchase the automobiles according to the result of the questionnaires. The questionnaires showed that 35% of the Chinese consumers used advertisements as the access to products' information, which was relatively popular among Chinese consumers. The interactions among advertisements, consumers and products had been studied. Behavioral psychologists from the first half of the 20th century explained that advertising and commercials used by commercial firms were to sell products and services. Thus, to build the connection between advertisements and consumers had been a way to success, because consumers were influenced constantly by the conscious and rational information about products and brands through advertisements (Weilbacher 2003, p230-234).

Volvo Car Corporation seemed to realize its safety feature couldn't attract Chinese consumers, so they added new features and information on Volvo automobiles' new categories. For example, the commercial for the concept S60 automobiles in 2009 emphasized the Scandinavian design with the famous Swedish crystals, and the commercial for the C70 was like a fashionable and sexy lady, in which the special design was highly emerged. Huang mentioned that the Chinese consumers used advertising to recall information of products and brands. When the brands' traditional factors disappeared from the advertising, such as Volvo automobiles' safety, the Chinese consumers would easily accept the new factors; at the same time they forgot the previous ones (Huang Gang 2012). As time went by, the safety feature couldn't be the symbol only for Volvo automobiles any more. And Volvo automobiles' previous owners and consumers who had been loyal to Volvo Car Corporation would leave for another brand for their safety. Volvo Car Corporation failed in creating consumers' brand loyalty.

### 6.1.3 Price

**Table 38 Volvo Automobiles' Price and Chinese Consumers' Target Price**



Source: Volvo Automobiles' Price: car.autohome.com.cn; Chinese target car price: result of questionnaires

Table 38 showed the comparison between Volvo automobiles categories' price and the price range that 88% Chinese consumers were willing to pay for the automobiles.

According to the questionnaire result, 68% Chinese consumers chose the automobiles with the price range lower than 250,000 RMB, while the cheapest Volvo automobile category was the C30 with the price range from 220,000 RMB to 250,000 RMB. Another 20% Chinese consumers would like to choose the automobiles with the price range from 250,000 RMB to 350,000 RMB, where only the S40 and the cheapest S60 fitted. Hence, the C30, the S40 and a small part of the S60 might be the 88% Chinese automotive consumers' targets. Besides the three categories, there were still four more series with only 12% potential Chinese consumers. Volvo automobiles' price structure had kept the Chinese automotive consumers outside of its gate by not being cost effective.

#### **6.1.4 Influence of the Acquisition**

From the result of the questionnaires, 93% Chinese consumers believed that Volvo automobiles' quality would become worse after the acquisition, and 81% Chinese consumers mentioned that the acquisition would affect their decisions on purchasing Volvo automobiles.

$$\text{Lost Market Share} = 100\% \times 93\% \times 81\% \times 50\% = 37.67\%$$

In the formula, I assumed that 100% Chinese consumers were Volvo automobiles' potential consumers.  $100 \times 93\% \times 81\% = 75.34\%$  potential consumers had been influenced by the acquisition and the lower quality concerns. Again, I assumed 50% of 75.34% consumers finally decided not to purchase Volvo automobiles, another 50% insisted their initial decisions, thus,  $75.34\% \times 50\% = 37.67\%$  potential consumers wouldn't buy the automobiles in the future. The market share for Volvo Car Corporation in China would decrease by 37.67%. And after the acquisition, the company would lose 37.67% potential consumers in terms of the quality concerns.

To summarize all the factors mentioned in this part, Volvo automobiles' traditional safety factor couldn't fit and meet the Chinese automotive consumers' needs, because the Chinese consumers didn't have the right understandings about the automobiles' safety, which currently had been the main issue for the Chinese automotive offices and the government to solve. Advertisement was the main information source for the Chinese consumers, however, Volvo automobiles failed to attract and gain potential consumers; the acquisition made a 37.67% potential consumer loss. The Chinese consumers didn't accept Volvo automobiles' price because of the none-cost effective feature. The Volvo automobiles' market size in China was facing challenges. So in order to stimulate and increase the sales, some Volvo automobile shops held the automobiles' promotion activities, such as a discount on particular category automobiles, or an interest-free loan from bank. Xu Liang said, "without the promotional packages, the sales has decreased to

around 8 automobiles each month, only a quarter amount of our monthly target” (Xu Liang 2012).

## **6.2 Discussions on the Interview Results with Volvo Automobile Dealers**

This part showed the result of interviews about Volvo automobiles and Volvo Car Corporation in Shanghai. Advantages, disadvantages and complaints had been discovered through interviews, and how to improve for a better future in China had also been discussed.

### **6.2.1 Volvo Automobiles’ Advantages, Disadvantages and Problems**

According to the interviews with two Volvo automobile dealers, the advantages, disadvantages and complaints from consumers had been found out. The advantages were safety, high-tech and Volvo automobiles owners’ recommendations. The disadvantage was the interior design. The complaints were from the Volvo automobile owners and the dealers; the owners complained the after-sale service, while the dealers complained the automobiles’ average outgoing qualities.

#### ***Advantages***

##### **Safety**

*“Chinese consumers purchase Volvo automobiles only for its safety, so parents, especially those with ages over 60 prefer Volvo automobiles when they purchase the automobiles for their children” (Xu Liang 2012).*

In order to make the Chinese consumers understand Volvo automobiles’ safety feature, Xu Liang mentioned that the only persuasive way was a test drive. After the consumers’ test drive and automobile dealers’ introductions, the safety feature would become an

advantage and consumers would start to consider purchasing the automobiles (Xu Liang 2012).

### High-tech

Xu Liang said another advantage was Volvo automobiles' high tech systems, which was also about the automobiles' safety concerns; however, it was something beyond seatbelts and ABRS. The S60 and the XC60 had become two popular categories among the Chinese consumers because of the "city safety" technical systems. A "city safety" system was an autonomous emergency breaking system, which assisted drivers to avoid a low-speed crash or to reduce the severities. Chinese drivers had been proud to use city safety system and auto hold automatic parking function to prevent accidents and to protect pedestrians' life from the crowded Chinese traffic (Xu Liang 2012).

### Volvo Automobile Owners' Recommendation

Automobiles had been arguably the second most expensive products that most Chinese people would buy in their life besides houses. However, Chinese consumers had little brand loyal conscious on automobiles. Only 11% Chinese automobile owners were willing to purchase their next cars with the same brand as the current ones (Ronald Haddock, Edward Tse 2007), comparing to around 60% brand loyalty rate on Ford from a global scale (Jeremy Korzeniewski 2009). However, the Chinese consumers had brand loyalties within a certain area, Hans Helmuth Hennig, Managing Director at the Hong Kong-based luxury distributor Jebsen & Co said that "so from our perspective, if we take on a brand, and we're actually quite picky about the people that we work with, we need to understand that they are just as committed to the Chinese market as we are. Which means not only putting money into it, but also putting other resources, like people primarily, or even looking at the products seeing that they tailor make them to the Chinese consumers' demands" (Jing Daily 2012). The Chinese consumers liked to be thought highly of and be treated specially, luxury products were able to satisfy their psychological needs, such as LV users, when they were holding LV handbags, people

around them would consider them a higher social status, which was not only about the owners liked LV or not. That was why Chinese consumers had been loyal to the luxury brands rather than the brands in other levels.

However, Volvo automobiles' advantage was not about the Chinese consumers' brand loyalty, because they were likely to purchase other automobiles with higher brand levels and better performances. But it had been positive that Volvo automobile owners liked to recommend Volvo automobiles and explain the advantages to their friends who would like to purchase the automobiles with similar level as Volvo automobiles.

*"We usually have consumers who would purchase a certain category car because their friends' recommendation" (Xu Liang 2012).*

### ***Disadvantages***

Interior design was the biggest disadvantage for Volvo automobiles, comparing to other automobiles with a similar level and price. Almost 90% consumers who had the test drive were satisfied with Volvo automobiles' safety feature, but were disappointed with the interior design. Huang explained that most automobiles with the price higher than 400,000 RMB must have luxury interior designs, which Volvo automobiles had not, such as 12 surround speakers and NAVI systems with big screens. Volvo automobiles interior design started from the drivers' and the passengers' comfortable angles, but it didn't fit the Chinese consumers' psychological conditions and consumption habits (Huang Wenjing 2012). Xu also mentioned that interior design was the reason why the Chinese consumers thought Volvo automobiles were not cost effective, because they believed the automobiles with the Volvo automobiles' price should have better interior equipments (Xu Liang 2012).

## ***Complaints***

Complaints were the reason that couldn't be ignored about why Volvo automobiles were losing consumers and the market share in China. Both the two car dealers said that Volvo automobiles always had small problems when they received the new outgoing automobiles from the producers, which led potential bigger problems in the future using (Xu Liang 2012, Huang Wenjing 2012). Because of the careless of the producers, the after-sale service became the factor that Volvo automobile owners complained all the time. "Not only the automobile owners, but also we who are working for Volvo Car Corporation will never know the waiting time to repair the automobiles", Xu said (Xu Liang 2012). The owners complained that they were not able to get a fixed time on the automobiles' repairing and had waited quite long for the new automobile parts. Xu explained that usually two months was the automobile repairing period. For example, a piece of automobile part was broken, when it was sent back to the producers, soon the repairmen could get feedbacks from the producers about the repairing period, then the time would be informed to the owners. However, the communication system in Volvo Car Corporation didn't work well. Xu said they seldom got feedbacks from the producers who were in charge of the automobile parts repairing until the owners complained (Xu Liang 2012). Even though the head company wouldn't receive complaints from the owners, consequently there would be a big consumer loss.

Both outgoing quality problem and after-sale service had been series problems for Volvo Car Corporation. On one hand, it had been the problem of the Chinese vehicle management office, because China had a lower examining standard on automobile standards, which led the automobiles produced outside of China were not suitable for Chinese driving conditions; on the other hand, it was the problem of Volvo Car Corporation, especially the low efficient communicating systems and careless outgoing car inspections.

### **6.2.2 Features of Volvo Automobiles to Be Improved**

This part was to discuss about the solutions for Volvo automobiles' existing problems, in order to improve its current situation in China.

*“Volvo automobiles are good, but why Volvo Car Corporation can’t make money all around the world, in Europe, in America and in China, the problem is not about the consumers, it is about the automobile itself” (Xu Liang 2012).*

Thus, to improve the disadvantages and the complaints mentioned above were necessary and significant. To understand the Chinese consumers' needs and the consumption culture became the key point on Volvo Car Corporation's way to success.

All interviewees mentioned that Volvo automobiles couldn't be as popular as Toyota or Volkswagen in China due to the price. The purchasers of Volvo automobiles should be with a high stable income and they preferred the automobiles with luxury and unique experiences. They also said that the consumers with the purchasing power on Volvo automobiles wouldn't mind to spend another 100,000 RMB to purchase the automobiles with better interior designs as they had expected. Even though the group of Volvo automobile consumers was a small proportion, comparing to all Chinese automotive consumers, it would still good and important for Volvo Car Corporation to keep them rather than to lose them. On the other hand, none interviewees suggested that Volvo Car Corporation should decrease the automobiles' price and lower the company's brand level (Xu 2012, Huang 2012, Huang 2012). Another improvement was the company's management and the working system, but it was not possible to get more information about this part, no more suggestion could be made here.

## **7. Conclusion**

Price, drivability and fuel consumption had been the main factors when the Chinese consumers chose automobiles. Even though from the interview results, Volvo automobiles' drivability and fuel consumption had been proved competitive and the Chinese consumers considered automobiles' safety more than previously, the Chinese consumers would still probably not purchase Volvo automobiles. The reason was that they thought a Volvo automobile was not cost effective when the only premier feature that it offered was safety; it was not worth to purchase a car only labeled "safe". The main Volvo car consumers were middle and middle-high income earning people, they needed the automobiles that were not only safe, but also the automobiles had an appearance that could match the price tag; they wanted a luxury interior room something that Volvo automobiles lacked. In other words, given its relatively high price, Volvo automobiles failed to excite and consequently disappointed Chinese auto consumers.

Instead of strengthening Volvo Car Corporation's brand image, the acquisition had weakened the brand because most Chinese consumers believed Volvo automobiles' quality would become worse. Many Chinese consumers had little trust in Chinese companies' business concepts and management. The recent food safety crisis in China had showed that the profits had the corporate priority in everything, and the profits ranked even before people's health and life. This gave enough reasons for the Chinese consumers to doubt the management abilities of Chinese companies. People had started to question whether Geely was able to inherit Volvo Car Corporation's spirit and make the high-quality automobiles in terms of the possibilities that Geely could use cheaper and less-qualified parts for the future automobiles in order to reduce the production costs. We still need time to get the answers about consumers' concerns.

Advertisement was the only effective information access to the Chinese consumers. However, Volvo automobiles' advertisement didn't contribute to create brand loyalty among the Chinese consumers, either to make Volvo automobiles to stand out from other automotive brands. Actually, Chinese consumers had brand loyalty, but based on brand

loyalty segmentation, Volvo automobiles hadn't reached the region where brand loyalty existed in China.

Volvo Car Corporation's weak after-sale service and the existing quality problems were making a loss from Volvo automobile owners. Even page 29 showed after-sale service rated 9% among all the automotive features, still the owners complained about the after-sale service, which indicated that the after-sale service of Volvo automobiles had made a lot of troubles for the owners. The owners wouldn't purchase another Volvo automobiles any more.

Besides the individual consumption, the result of the questionnaires showed that officials had the highest possibilities to purchase Volvo automobiles. However, on 27<sup>th</sup> April 2012, a document about the automobile procurement by the Chinese party and governmental offices in 2012 released, all the official business automobiles to purchase should be domestic brand vehicles (cntv, 2012). The automobiles had no market in the official and governmental area this year. Even though there might be still chances to revise the policies and documents in the coming years, but I don't think Chinese government would put the domestic brand automobiles aside.

Thus, Volvo Car Corporation and the Volvo automobiles' market in China totally relied on the Chinese individual market, but today, the Chinese individual market size on both the company and the automobiles had been proved small and under a worrying situation. The company must adjust and improve all its negative factors first, to encourage and to build the confidence within the Chinese consumers, especially Geely's future performance. Secondly it was significant and urgent for the company to find a way to create the brand loyalty among the Chinese consumers, even Volvo automobiles did not belong to the luxury industry where the Chinese consumers had more brand loyalty. However, there had been always possibilities to cultivate Chinese consumers, as long as Chinese consumer could accept the cultivating way.

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## 9. Questionnaire

Name 姓名:

Gender 性别:      Male 男      Female 女

Education 教育程度: Middle School 初中  
Bachelor Degree 本科  
Others 其它

# High School 高中

# Master Degree 研究生

Occupation 职业: Official 官员 CEO Manager 部门经理  
Staff 普通职员 Private Business Owners 私企老板  
Others 其它

### Monthly Income 月收入:

- Less than 9,000 9000以下
  - 9000~20000
  - 20000~35000
  - More than 350000 35000以上

1. Do you have a car?

您有车吗？

- Yes 有
  - No 没有

2. Do you have a plan to buy another car?

您有购车计划吗？

- Yes 有

- No 没有

3. Do you think it's hard to buy a car?

您认为买车困难吗？

- Yes (National Policies, Price, Other reasons)  
有 (国家政策, 价格, 其他\_\_\_\_\_)
- No 没有

4. Will you take loan from bank when purchasing cars?

您会从银行贷款买车吗？

- Yes 会
- No 不会

5. Which price range will you consider on purchasing a car?

您购买车时，会选择的价为在以下哪个范围？

- a) Less than 100,000 RMB 100, 000元以下
- b) 100,000 to 250,000 RMB 100, 000 ~ 250,000元
- c) 250,000 to 350,000 RMB 250,000 ~ 350,000 元
- d) 350,000 to 500,000 RMB 350,000 ~ 500,000元
- e) Over 500,000 RMB 500,000元以上

6. Which factors do you think the most important when choosing a car?

您认为在选车中以下哪个因素最重要？

- a) Price 价格
- b) Brand 品牌
- c) Safety 安全性
- d) Exterior Appearance 外观设计 如车体大小, 颜色, 形状等
- e) Interior Design 内室设计 如内室空间, 材质, 舒适度等

- f) Drivability 驾驶性能
- g) Fuel Consumption 耗油量
- h) After-sale Service 售后服务

7. Why do you buy a car?

您为什么购买车？

- a) Family use 家人需要
- b) Individual use 个人使用
- c) Working use (as commuting tools) 工作需要
- d) Social status show 社会地位，一种趋势

8. Who are the deciders when you would like to buy a car?

当您在选择车的时候，会受谁的意见的影响？

- a) You 您自己，不需要别人的意见
- b) Your family 家人
- c) Your friends 朋友
- d) Media, such as advertisement and internet forums 媒体，论坛，广告等

9. Where do you get information about cars?

您从什么渠道获得关于汽车的信息

- a) Advertisements from newspaper and magazines 报纸，杂志的广告
- b) Cars official websites 汽车公司的官方网站
- c) TV shows and movies 电视剧和电影
- d) Friends' recommendations 朋友的推荐
- e) Forums 网络论坛

10. How often do you read news about auto market?

您获取汽车市场信息的频率是

- a) Everyday 每天
- b) Twice a week 每周两次
- c) Once a week 每周一次
- d) Twice a month 一个月两次
- e) Only when you need to 只有在需要的时候

11. Will you purchase a Volvo car in the future if you have chance to buy another car?

如果您今后会有买车的打算，您会选择购买沃尔沃汽车吗？

- Yes 会
- No 不会

12. If yes, which factor do you consider as the most attractive one when you purchase a Volvo car?

如果会，以下哪个因素是您购买沃尔沃汽车时最看中的？

- a) Price 价格
- b) Brand 品牌
- c) Safety 安全性
- d) Exterior Appearance 外观设计 如车体大小，颜色，形状等
- e) Interior Design 内室设计 如内室空间，材质，舒适度等
- f) Drivability 驾驶性能
- g) Fuel Consumption 耗油量
- h) After-sale Service 售后服务

13. What do you think of Volvo cars?

您如何看待沃尔沃汽车？请按照您认为的重要程度依次排序

- a) Performance effective 高性价比
- b) Safe 安全

- c) Good design 设计好
- d) Comfortable 舒服
- e) Luxury 奢华
- f) Expensive 贵
- g) Swedish oriented with Swedish spirit 瑞典设计，传承北欧精神
- h) Others 其他

14. Do acquisitions affect your decisions about Volvo cars?

如果您决定购买沃尔沃汽车，沃尔沃汽车和吉利的并购时候会影响您的决定？

- Yes 会
- No 不会
- It doesn't matter 无所谓

15. Do you think Geely will weaken or decrease Volvo cars' quality after Volvo cars are produced in China?

您认为吉利对Volvo的收购会影响沃尔沃汽车的质量吗？

- Yes, quality of Volvo car will be worse 有，质量会下降
- Yes, quality of Volvo car will be better 有，质量会更好
- There won't be any influence 没有影响

16. After the acquisition of Volvo cars, do you think Volvo car has become a Chinese brand?

吉利收购沃尔沃之后，您认为沃尔沃汽车是属于中国国产车吗？

- Yes 是
- No 不是
- It doesn't matter 无所谓

Thanks for your time and cooperation!

感谢您的宝贵时间！