

## **CONSUMER'S PERCEPTIONS REGARDING DACIA CARS PRICES. INSIGHTS AND LESSONS TO BE LEARNED**

**Cruceru Gheorghe<sup>1</sup>, Micuda Dan<sup>2</sup>**

<sup>1</sup>Transilvania University Braşov, [g.cruцерu@yahoo.com](mailto:g.cruцерu@yahoo.com)

<sup>2</sup> "Constantin Brâncoveanu" University Piteşti, [dan.micuda@gmail.com](mailto:dan.micuda@gmail.com)

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**Abstract:** Price is one of the four classical elements of marketing mix and for long-term goods, as is the case of automobiles; price plays an important role in the purchasing decision. Therefore identifying consumer's perceptions about the price of the cars is a key factor in establishing the marketing policy of any automobile producer. This paper analyzes Romanian customer's perceptions of Dacia car prices and aims to determine whether the manufacturer succeeded in transmitting the Romanian customers the idea of affordability regarding his products.

### **1. INTRODUCTION**

Marketing research transforms raw data into marketing information and therefore contributes to solving marketing problems using qualitative and quantitative arguments. Another definition is that "Marketing research investigation determine the information required aspects of the problem investigated, establish methods for obtaining information guides and ensure the implementation of the data collection process, communicating the results and their implications." [3] Investigation of the market is an essential component in marketing research and aims to gather information about current or potential markets, consumer needs and the mechanisms that triggers them, various behaviors of consumers or potential consumers. This information is the foundation for decisions that are designed to adapt the organization's activities to external environmental requirements. "Market research is a survey limited to markets, consumers and the effectiveness of marketing decisions, with multiple implementing goals, from assessing potential characteristics of the segments, volume, market share and trends in competitiveness, pricing and the degree of acceptance, testing and defining both the territories and products and services quotas, to projections or forecasts on short, medium or long term [7].

Also, market research is an important factor contributing to the advancement of business knowledge and the use of market information in developing the enterprise processes. It is also contributes to exploring and identifying market trends on one hand and on the other hand provides the elements necessary to support and construct proper marketing policy. Automotive companies use market research as a laboratory to identify the structure of demand, the key players on the market and also to predict future developments or potential side effects of the car market reactions as a result of various actions taken by the company. Influence factors, both endogenous and exogenous, are more and more dynamic resulting in an ever changing market conditions. Undoubtedly the success of a marketing research requires considerable effort determined mainly by the sample size which is affected by the financial, time and human power resources available to the organizations and therefore to the researcher [5]. Taking this into account, the present research was done at a local level but the insights that it provides are starting points and guidelines for further extrapolations designed for wider markets. The results can be used mainly in adopting a proper price policy for Dacia company and also for other automobile manufacturers who share the same markets, but as well for segmentation purposes. They are also offering valuable insights for government policy makers in order to better design and implement fiscal or financial aid measures that are meant to stimulate the acquisition of new cars, in general and Dacia cars, in particular.

## 2. PRICE – A CRUCIAL COMPONENT OF THE MARKETING MIX.

Ample market researches are intended to achieve very different objectives and to cover all components of the marketing mix. Market surveys provide information that helps managers to take decisions. Therefore, both quantitative and qualitative aspects are important. The main topics of a marketing research are generally relating to the four components of the marketing mix: product policy, pricing policy, distribution and promotional policy [1].

Specific objectives of price policy aimed at knowing the market reaction to changes in perceived price as "the amount of money that the buyer can and will offer to the seller in return of the good it offers to the market [8] as well as consumer expectations regarding the price level. The present research presents an analysis of Dacia cars buyer's price perceptions. In order to achieve the research objectives, a questionnaire that meets certain requirements [6] was applied to a sample size, probabilistically determined [2], consisting of 405 respondents, above the age of 18, male and females, residents of Pitesti Town, Arges County, Romania

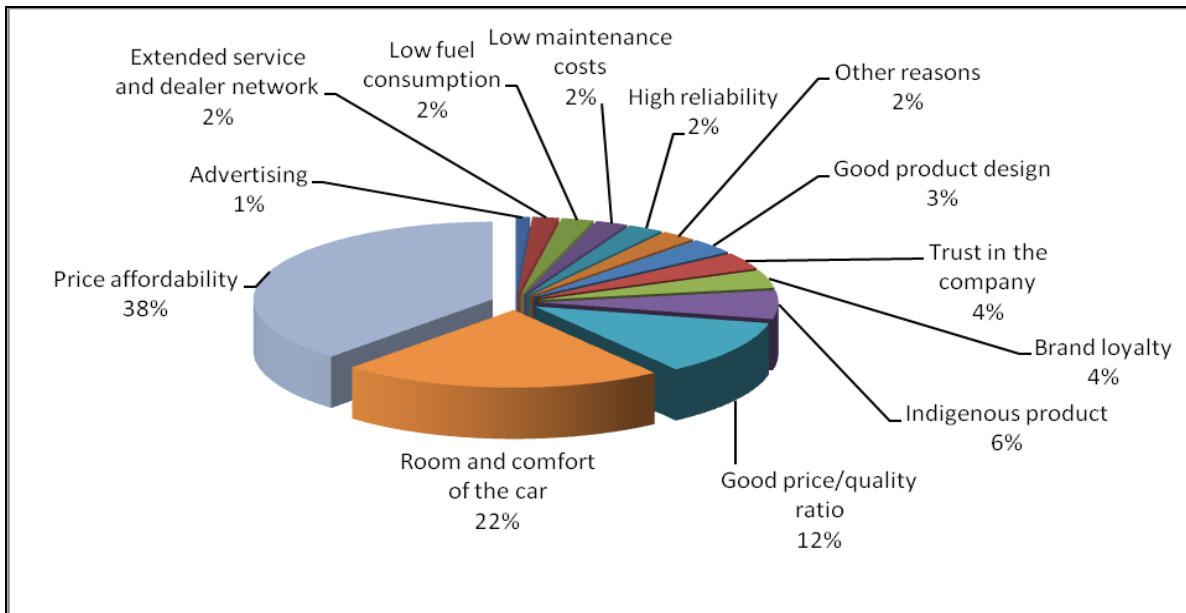
Several objectives are followed through the research:

a) *Buyers motivation underlying the choice of a Dacia car.* A prime objective of this research is focused on understanding. "What are the reasons for buying a car Dacia?" Responses revealed 12 significant reasons given in Table 1.

**Table 1. Reasons for buying a Dacia car**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid Resp.	Price affordability	192	47,4	47,5	47,5
	Good price/quality ratio	58	14,3	14,4	61,9
	Indigenous product	30	7,4	7,4	69,3
	Brand loyalty	19	4,7	4,7	74
	Trust in the company	18	4,4	*,5	78,5
	Good product design	16	4	4	82,5
	High reliability	12	3	3	85,5
	Other reasons	12	3	3	88,5
	Low fuel consumption	11	2,7	2,7	91,2
	Low maintenance costs	11	2,7	2,7	93,9
	Room and comfort of the car	11	2,7	2,7	96,6
	Extended service and dealer network	9	2,2	2,2	98,8
	Advertising	5	1,2	1,2	100
Total	404	99,8	100		
Missing	System	1	0,2		
Total		405	100		

The most frequent argument is price affordability. Over 47% of respondents have bought a Dacia mainly for financial reasons. These responses confirm the good price policy of Dacia Company that positioned the car models manufactured in Pitesti significantly below the similar models in terms of price.



**Figure 1. Reasons for buying a Dacia car**

Another reason is the ratio quality / price that 14.3% of respondents declared being a very important factor in buying a Dacia car (Figure 1.1) Price affordability and value for money (price/quality ratio) are totaling nearly 62% of reasons for buying a Dacia car.

Next, weights on reasons why a car was purchase are grouping by the age of the respondents. The results are presented in Table 2.

**Table 2. Reasons for buying a Dacia car depending on the age of the respondent**

		Your age is between: (years)					Total
		18-29	30-39	40-49	50-59	60 and above	
Reasons for buying a Dacia car	Price affordability	53,3%	52,3%	46,9%	39,2%	38,5%	47,5%
	Good price/quality ratio	8,3%	6,4%	17,5%	25,3%	7,7%	14,4%
	Low fuel consumption	8,3%	1,8%	1,4%	2,5%	-	2,7%
	Indigenous product	6,7%	7,3%	7,0%	6,3%	23,1%	7,4%
	Trust in the company	-	11,0%	3,5%	1,3%	-	4,5%
	Low maintenance costs	3,3%	3,7%	1,4%	3,8%	-	2,7%
	Good product design	5,0%	3,7%	3,5%	2,5%	15,4%	4,0%
	High reliability		3,7%	4,9%	1,3%	-	3,0%
	Brand loyalty	8,3%	3,7%	2,8%	6,3%	7,7%	4,7%
	Room and comfort of the car	3,3%	3,7%	,7%	3,8%	7,7%	2,7%
	Extended service network	-	0,9%	3,5%	3,8%	-	2,2%
	Advertising	1,7%	0,9%	1,4%	1,3%	-	1,2%
	Other reasons	1,7%	,9%	5,6%	2,5%	-	3,0%
	Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

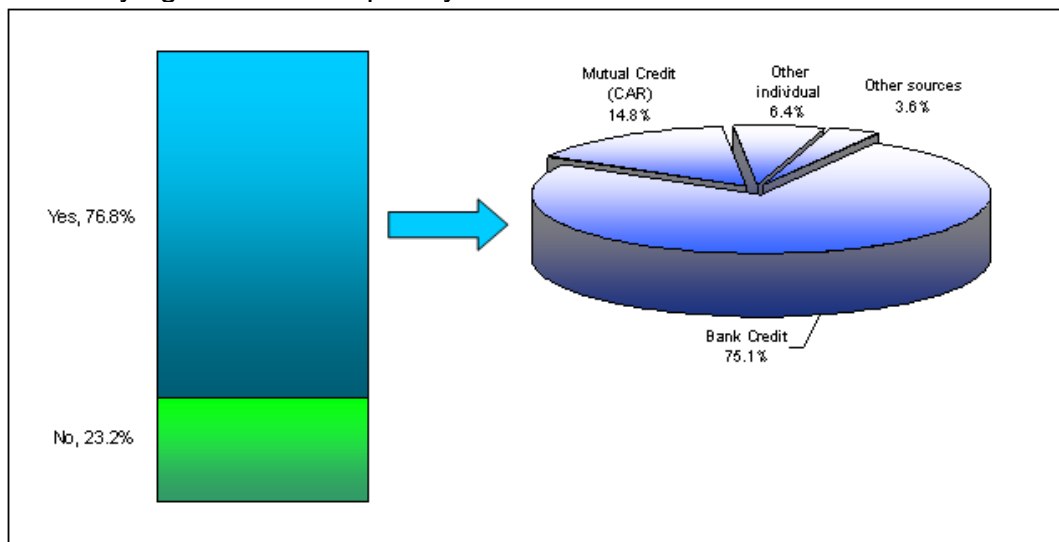
The most important reason to the purchase is the "affordable price" compared with other car brands, with an overall share of over 47%. For younger people, this criteria is by far the most important in 18-29 years age group, accounting for a proportion of 53.3%. Buyers aged 60 years and above present a lower value of 38.5%; but price still remains the main reason for the purchase. It can also be noted that price affordability appreciation trend is decreasing with the increase of the respondent's age. It must be pointed out that for people over 60 years old the facts that Dacia cars are indigenous products and their design are also strong incentives to purchase these products.

b. *Identifying the financial resources of Dacia car buyers.* The question "You contracted a loan in order to buy a Dacia car?" was designed to capture the extent to which buyers have borrowed money for the purchase and also the credit sources and their preference order.

**Table 3. Credit role in Dacia cars purchases**

		Responses	
		N	Percent
Did you borrowed funds for the purchase?	No	94	23,2%
	Yes	311	76,8%
Total		405	100,0%

Of the 405 respondents, 94, representing 23.2% have not resorted to lending, their own income and savings allowing them to fully pay for the Dacia car purchase. A number of 311 buyers have turned to various credit sources, which were divided into four groups aiming at identifying the most frequently used.



**Figure 2. Share of lending sources financing a Dacia car purchase**

Among those who have borrowed funds, 15 used two funding sources simultaneously, (Bank and familiars or mutual credit and familiars combinations). Bank credit is overwhelming, holding a share of over 58%. On the second place are the mutual credit organizations (CAR) are with a value of almost 11%. An important part is represented also by the borrowings from other individuals (familiars) that account for 5% of the total financing of Dacia cars purchase. This is typical for economies with medium levels of financial intermediation as Romania has.

Regarding the role of gender in choosing a financing way or another for a Dacia car purchase the options are given below.

**Table 4. Credit sources preferences for a Dacia car purchase sorted by gender**

		Did you borrowed funds for the purchase?					
		No	Yes				
			Bank Credit	Mutual Credit (CAR)	Other individuals	Other sources	
Gender	Female	Count	16	49	13	3	1
	% within Gender	19,5%	74,3%	19,7%	4,6%	1,4%	
Male	Count	78	184	33	17	11	
	% within Gender	24,1%	75,1%	13,5%	6,9%	4,5%	
Total		Count	94	233	46	20	12
		% within Gender	23,2%	57,5%	11,4%	4,9%	3,0%

From the data presented in Table 4. above it can be observed that almost 20% of women and over 24% of men have bought a Dacia with their own financial resources. The main source of credit remains the banking system with a value of 75% of the respondents. Other sources of credit have been viewed differently by men and women (who tend to appeal to a larger extend to mutual institution 19.7% financing then men 13.5%).

In order to identify any significant differences between the variances of both groups two assumptions were taken into consideration:

H0: There is no difference between men and women regarding recourse to sources of credit;

H1: There are differences between men and women as regards recourse to sources of credit;

$$H_0 : \sigma_1^2 = \sigma_2^2 \quad (1.1)$$

$$H_1 : \sigma_1^2 \neq \sigma_2^2 \quad (1.2)$$

where  $\sigma_1^2$  și  $\sigma_2^2$  are the two groups (men and female) variances at population level.

**Table 5. Testing mean differences between men and female**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Did you borrowed funds for the purchase?	Equal variances assumed	1,048	0,307	0,045	403	0,964	0,005	0,111	-0,214	0,224
	Equal variances not assumed			0,050	144,390	0,960	0,005	0,101	-0,194	0,204

From Table 5. it results a  $t_{calc} = 0,045$ . The theoretical value from the t-Student distribution for a level of significance  $\alpha$  and a number of degrees of freedom  $df = 403$ , is  $t_{0,05;403} = 1,96$ . Because it is smaller than the null hypothesis it can be accepted that no significant differences between women and men in terms of appealing to various sources of credit to purchase a Dacia car, exists. The same decision can be taken based on the level of significance  $Sig. (2-tailed) = 0.964$  which is greater than the value of  $\alpha = 0.05$ . Confidence interval is ranged between  $0.224 \div -0.214$  and therefore contains the value 0, so it can be concluded that there are not significant differences between the two groups.

c) *Price perceptions analysis* It was derived from the following question: "How do you find the price for a Dacia car?". Five steps scales ranged between very low (1 point) and very high (5 points) were used for assessing respondents price perception.

**Table 6. Perception regarding the price of Dacia cars**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	0	0	0	0
	Low	29	7,2	7,2	7,2
	Moderate	244	60,2	60,2	67,4
	High	121	29,9	29,9	97,3
	Very High	11	2,7	2,7	100,0
	Total	405	100,0	100,0	

Answers tend to assess a value characterized as "moderate" price, with a rate of 60.2%. At the extremes, 2.7% of respondents thought the price is very high and none of those interviewed considered that the price is "very low".

Perceptions of Dacia cars price depending on the payment options. This assumption tries to identify whether paying the full price or a monthly credit rate affects the way price is perceived by Dacia cars buyers. To highlight any differences in terms of how a Dacia car price is perceived, a  $\chi^2$  test was used.

The two starting assumptions are:

H0: There is no difference between those who have paid in full and those who have not paid the full purchase price in appreciation the price of a Dacia car

H1: There are differences between those who have paid in full and those who have not paid the full purchase price in appreciation the price of a Dacia car;

$$H_0: O_i = E_i \quad (1.3)$$

$$H_1: O_i \neq E_i \quad (1.4)$$

Where  $O_i$  și  $E_i$  are the observed and the expected frequencies

**Table 7. The  $\chi^2$  test for the price characteristic**

		How do you find the price for a Dacia car?				Total	
		Low	Moderate	High	Very High		
Did you paid the full price on purchase?	No	Count	13	116	50	2	181
		Expected Count	13,0	109,0	54,1	4,9	181,0
	Yes	Count	16	128	71	9	224
		Expected Count	16,0	135,0	66,9	6,1	224,0
Total		Count	29	244	121	11	405
		Expected Count	29,0	244,0	121,0	11,0	405,0

For deciding, the value of  $\chi^2_{calc}$  is compared with the  $\chi^2_{\alpha;df}$  value from the  $\chi^2$  theoretical distribution table, given the level of significance chosen and the number of degrees of freedom calculated.

**Table 8. Critical ratio for the  $\chi^2$  test**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4,485(a)	3	0,214
Likelihood Ratio	4,809	3	0,186
Linear-by-Linear Association	2,467	1	0,116
N of Valid Cases	405		

a 1 cells (12,5%) have expected count less than 5. The minimum expected count is 4,92.  
by the author

Table 8. shows that the critical ratio has a value of 4485 and 3 degrees of freedom. For deciding the value of  $\chi^2_{calc} = 4.485$  is compared with the theoretical value from the table for the significance level  $\alpha = 0.05$  and a number of degrees of freedom  $df = 3$ . Critical ratio value from the table is  $\chi^2_{\alpha;df} = 7.814$ . As  $\chi^2_{calc} = 4.485 < \chi^2_{\alpha;df} = 7.814$  the null hypothesis is accepted, meaning that it cannot be guaranteed with a 95% probability that at the total population level it will be differences between expected and observed frequencies. In other words the differences between observed and expected frequencies existing in the sample are not significant to ensure a 95% probability that there is correlation between variables. Because a cell contains a value of less than 5, representing 12.5%, below the 20% level accepted as a maximum, the test can be considered valid.

In conclusion, Dacia cars price is perceived differently by the two groups, but the differences are not significant.

d) *Perceptions regarding the price of Dacia cars based on the buyers gender.* Dacia cars are purchased by both men and females consumers. So, their prices could be perceived differently by the two categories of buyers, therefore arises a need to determine whether there are differences between the two groups.

**Table 9. Average perceptions of Dacia cars prices depending on the gender of the respondents**

Gender ?	Mean	N	Std. Deviation
Females	3,30	82	0,489
Men	3,28	323	0,665
Total	3,28	405	0,633

Media aprecierilor între cele două grupe de respondenți este sensibil apropiată aceasta fiind de 3,30 pentru bărbați și 3,28 pentru femei. Prin urmare bărbații percep prețul ca fiind spre „ridicat” mai mult decât femeile dar totuși mai aproape de „moderat”

The mean assessments of the two groups of are significantly close: 3.28 for men and 3.30 for female respondents. Therefore men tend to perceive the price a slightly higher than females but both perceptions are still close to "moderate".

e) *Perceptions regarding the price of Dacia cars based on the buyer's level of education* Respondents were divided into three groups based on their education levels. From Table 10. it can be concluded that the perceptions regarding the Dacia cars prices did not differ much between these groups.

**Tabelul 10. Average perceptions of Dacia cars prices depending on the respondents level of education**

How do you find the price for a Dacia car?			
Education Level	Mean	N	Std. Deviation
High-School	3,43	23	0,590
College	3,28	202	.0,627
University	3,26	180	0,646
Total	3,28	405	0,633

Groups of respondents have slightly different perceptions, respondents with basic education tending to consider Dacia cars slightly more expensive (3.43); at the opposite being the educated people (university degree) with a value of 3.26, below the total mean of 3.28. It should be noted though that the differences between these groups are not significant enough to require further testing.

### 3. CONCLUSIONS

From the above research it can be concluded that the price is the main attraction factor for buyers of Dacia cars. Price is perceived by both male and female respondents as being moderate with minor differences between the two groups.

Also, there are not significant differences between those who paid the price for the car from their own resources and those who have borrowed the necessary funds.

In terms of education levels, the population was categorized into three groups with slightly similar perceptions regarding Dacia cars prices. Although 77% of the respondents resorted to lending for buying their Dacia car, the main source of credit is the banking

system, reiterating the crucial role that credit, and especially bank credit plays in encouraging Dacia car sales. The company could also try to sign preferential credit agreements with some financial institutions, in order to facilitate potential clients access to credit in this difficult context.

The fact that there are not significant differences between the studied groups regarding the price of Dacia cars could suggest an effort and in the same time a long term strategy on behalf of the company to offer a highly standardized product that can appeal to large segments of the market. The aim of Dacia products is not to differentiate themselves from the competition in aspects such as high performance, design or brand awareness (that is simply too hard to achieve in a highly competitive market as automobile industry is), but rather to benefit from this “over-differentiation” present today on the car markets, fulfilling basic transport needs for a reasonable maintenance costs and low purchasing prices.

From the above research it can be concluded that the clients have appreciated this strategy and the sales figures for the Romanian car manufacturer, especially on the Western Europe markets are confirming their well designed price-product mix.

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