



First-time buyers' subjective knowledge and the attribute preferences of Chinese car buyers



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ABSTRACT

This research focuses on the subjective knowledge of first time buyers (FTBs hereafter) and how it influences their preference attributes in a market, more specifically, the emerging Chinese car market. Previous research has considered the difference in the subjective knowledge of a product between owners and non-owners but does not account that some non-owners have stronger intentions to make a purchase. Yet, the impact of the purchase goal of FTBs on their subjective knowledge remains unexplained. This research demonstrates that the effect of the purchase goal on subjective knowledge is moderated by product ownership. Specifically, the findings show that the purchase goal only affects the level of subjective knowledge of FTB but not those of potential repurchasing buyers. Furthermore, when segmenting potential FTBs on the basis of their subjective knowledge, the segment of potential FTBs with higher subjective knowledge display similar attribute preferences to owners, while the preference differences are observed when segmenting potential buyers into owners and non-owners. From a managerial perspective, the findings of the research demonstrate the value of using subjective knowledge for consumer segmentation when targeting car buyers.

1. Introduction

Consumer knowledge remains an important topic in marketing research and consumer behavior (Hong and Sternthal, 2010; Alba and Hutchinson, 2000). Consumer knowledge is defined as the information that consumers have when they face a purchase decision (Brucks, 1985). The literature differentiates between what consumers actually know, which is termed objective knowledge (OK, thereafter), and what consumers feel they know, referred to as subjective knowledge (SK, thereafter) (Carlson et al., 2009; Raju et al., 1995; Park et al., 1994). In that context Carlson et al. (2009) provide a simple but yet insightful statement that differentiates between OK and SK: "OK reflects what we know and SK reflects that we think we know". The SK level of consumers in different product categories influences their attribute preferences and the brands that they will buy in that category (Moorman et al., 2004). Researchers posit that consumers' perception of their knowledge explains their information search process and how they interpret product information and, ultimately, the products they end up buying (Hadar et al., 2013; Bearden et al., 2001; Moorman et al., 2004).

Ownership of a product also influences how a consumer perceives

his/her knowledge in any product category. Previous research shows that owners state that they know more about a product category than non-owners (Alba and Hutchinson, 2000; Park et al., 1994). This research however pays specific attention to non-owners and how their SK level changes if they intend to make a purchase and, more importantly, how this process affects their attribute preferences for the products that they intend to buy. In this study, we focus on potential Repurchasing Consumers (RPCs, thereafter) and potential First Time Buyers (FTBs, thereafter). This research argues that the typical segmentation of the market into owners and non-owners ignores that, within the segment of potential FTBs, some consumers have stronger purchase goals than others. Following Houston and Walker (1996), a purchase goal is referred to as a decision goal that is concrete (e.g., to purchase a car) and always active in consumer memory that leads to a sequence of a more specific behaviors (e.g., product search and an intention to purchase a specific product). Previous research shows that the purchase goal plays an important role in influencing the motivation of a consumer to acquire knowledge and subsequently which brand he/she will buy in the market (Huffman and Houston, 1993; Markman and Brendl, 2000; Van Osselaer and Janiszewski, 2012). Huffman and Houston (1993) find that different

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types of consumers with different purchase goals will pay different levels of attention to the type of knowledge that they are acquiring or exposed to even if these different types of consumers are all searching for information about the same product. This implies that potential FTBs with a stronger purchase goal should be more motivated to learn and pay more attention to product information about a product category and consequently they should feel that their SK has increased compared to other FTBs with weaker intentions to buy a product. The main strategic and managerial implication of this research is as follows. Organizations risk misinterpreting the attribute preferences of new buyers in the market if they treat all FTBs as a homogenous group and fail to recognize two important relationships: (a) That the purchase goal of some FTBs changes their SK (b) within that segment of FTBs, the change in SK also leads to the different attribute preferences.

The empirical setting of this research is the Chinese car market. A key feature of this market is that, despite exponential growth in the past decade, it is still dominated by FTBs who have limited car ownership experience and the context can be labeled as an emerging car market (Qian and Soopramanien, 2014). A McKinsey Quarterly Report stated that over 60% Chinese car buyers are buying their first cars (Atsmon et al., 2012). Thus, research on such types of emerging markets is very important. Generally, the research findings can be applied in other contexts where new products are being introduced and marketers need to consider how they wish to target potential new buyers of their product who may differ in terms of their SK levels and how each consumer segment reacts to marketing actions.

The remainder of the paper is organized as follows. In the next section, we discuss previous research related to our work and present our research hypotheses. Section 3 introduces the data that is used in this research and the empirical modeling that is used to explain the subjective knowledge of consumers. In Section 4, we first discuss how different factors explain subjective knowledge. In that same section, we also explore if the level of subjective knowledge of different types of buyers influences their attribute preferences. The last section discusses the implications of the research and also offers some directions for future research.

2. Research hypotheses

2.1. The effects of ownership status and purchase goal on subjective knowledge

Different types of consumers have different levels of knowledge about any product category but it is only when they face a purchase situation that they become aware of what they actually know (Park and Lessig, 1981; Carlson et al., 2009). It is that process of thinking about knowledge and the level of confidence about the knowledge that differentiates objective knowledge from subjective knowledge. Owners acquire and have a specific type of knowledge when they use the product compared to those who have never used that product. Park et al. (1994) find that product ownership experience has a more important role in positively influencing the SK level compared to other factors such as product-class information (e.g. product attributes, features, handling procedures and brands) and general self-confidence. In fact, Park et al. (1994) found that both ownership and the ownership-related product experience have a bigger positive impact on SK than on OK. Carlson et al. (2009) and Moorman et al. (2004), amongst other researchers, argue that we need to better understand how different types of purchase situations trigger consumers to assess their knowledge. FTBs and RPCs who both intend to buy the same type of car face an identical purchase situation from the product perspective but their respective self-assessed product knowledge differs. Thus, RPCs are expected to perceive that they know more about a product category than those who have never used or owned that product (Alba and Hutchinson, 1987; Lambert-Pandraud et al., 2005). In the context of these findings in the literature, this study compares the SK of owners

and non-owners and tests the following hypothesis:

H1: *Product ownership has an impact on SK level such that RPCs have a higher level of subjective knowledge than potential FTBs.*

This research also considers how a consumer's purchase goal influences his/her level of SK. Cognitive learning theory posits that consumers' knowledge acquisition is primarily involved with mental information processing and is motivated to reach a desirable state (i.e. approach goal) or move away from an undesirable state (i.e. avoidance goal) (Markman and Brendl, 2000). Consumer psychologists seek to understand how consumer's motivation drive their behaviors and how these motivations are linked with cognition and identify the gap in knowledge associated with these goals (Eccles and Wigfield, 2002). Researchers have found that consumers' goals can direct consumer's efforts to develop and organize their knowledge (Huffman and Houston, 1993; Eisenstein and Hutchinson, 2006) and further influence their decision making processes and choices (Van Osselaer and Janiszewski, 2012; Markman and Brendl, 2000; Bagozzi and Dholakia, 1999).

Previous research has distinguished between consumers who are at different stages in their purchase goal; some may be browsing and others may intend to purchase cars (Hamilton and Chernev, 2010). Consumers who are browsing are less engaged in their information search activity whilst those who intend to purchase are more engaged and search for more specific information to support their immediate purchase needs (Putsis and Srinivasan, 1994; Moe, 2003). This research posits that a consumer's purchase goal is measured by viewing buying and browsing as opposite ends of a continuous scale. Given that different types of consumers have different levels in relation to information search, this research proposes the following hypothesis:

H2: *The purchase goal is positively related to the level of subjective knowledge.*

Since product ownership raises the level of SK (Alba and Hutchinson, 2000; Park et al., 1994), RPCs can rely heavily on their experience of the product to acquire knowledge when faced with a purchase decision. As for RPCs, although those who strongly intend to repurchase are able to conduct both internal and external information search to gain additional knowledge, they may feel that they have enough internal product knowledge and thus are less likely to search for information externally (Brucks, 1985). Conversely, compared to RPCs, FTBs who need to acquire more information are unable to acquire SK about a product from ownership experience up to a level similar to RPCs. Accordingly, since FTBs develop their perceived product knowledge in a different manner, this research proposes that the influence of FTBs' purchase goals will lead to a bigger change in their level of SK when we compare the same relationship for RPCs.

H3: *Product ownership moderates the effect of the purchase goal on subjective knowledge.*

2.2. The effect of subjective knowledge on consumer attribute preferences

The literature on consumer knowledge and SK generally suggests that the information acquisition process and existing perceived knowledge shape consumer preferences (Hadar et al., 2013; Moorman et al., 2004). Hadar et al. (2013) investigate the role of SK in circumstances where consumers consider different types of investment decisions. They find that consumers who think they know how to interpret the risk of different types of financial products were more likely to invest in risky portfolios. Moorman et al. (2004) investigate whether SK about dieting and fat content influence consumers' choices of products which are considered as healthy. They find that the more consumers feel confident about their knowledge the more it influences the category choice first and subsequently which alternatives enter their consideration set. Similarly, Oh and Abraham (2016) find that consumers with

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