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Definition and Mapping of

Research Questions

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The affect of Price Elasticity of Toyota on consumer behaviors in Saudi Arabia

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Table of Contents

Introduction

1. Overview

Understanding demand price elasticity is critical in making quite a number of critical corporate decisions, especially with regard to product pricing and promotion (Bordley, 1993: 455). Exploring on price elasticity serves as a major interest for companies involved in production of goods and service delivery. This observation is based on the notion that price serves as the primary influence in consumer decision-making. Price movement also affects future consumer behavior and is critical in the overall competitiveness of companies. Several efforts have been dedicated to measure the reaction of consumers when price movements occur in a certain product (Bordely, 1993; Hoch, Kim, Montgomery, and Rossi, 1995; Bernstein Research, 2007; Yoon and Tran, 2011; Copeland and Hall, 2011). The focus ranges from sudden to gradual changes in prices. This study attempts to highlight consumer response to price adjustments in Toyota vehicles in Saudi Arabia.

During the course of this research, the following takeaways are expected to be obtained: (1) understanding of consumer behavior in relation to incremental price changes in selected models of Toyota; (2) determining the extent of impact that price movement has on car owners and potential car buyers; (3) improving future price strategies; and (4) shaping further the competition in the automotive industry in Saudi Arabia.

In Document 1, I will try to provide a detailed outlined of the research and provide an appreciation on the flow of the discussion. Issues raised will be discussed in brief and concepts will be introduced for better understanding. This section of the study also details the rationale behind the research including the objectives and main research questions to be addressed.

Document 2 of the research presents the preliminary literature, which will establish the foundation of assumptions and conclusions. The next section explains the methodology to be used and the maps the framework for the study. Documents 3, 4 contain the qualitative and quantitative work, while Document 5 contains results, discussion, and conclusion but these three documents are still subject to major modifications depending on document 2 and level of analysis required.

2. Subject and Objectives

Background to Research Problem

The automotive industry is among the most competitive industries in the world. Consumer decisions to purchase vehicles are often influenced by a wide array of factors that impact the industry. These include, safety, comfort, fuel efficiency, and price (Jeihani and Sibdari, 2010:1). Though factors such as fuel efficiency are certainly critical in consumers buying decisions in the current economic environment where gas prices frequently fluctuate, research shows that though the demand for gas efficient cars such as the hybrid cars have been high, sales have not picked up as expected (Read, 2012; Tuttle, 2012). This is mainly attributed to the high prices at which these vehicles are purchased, and therefore implies that price is a core contributor to demand and consumer purchase decisions when it comes to purchasing a car.

Understanding how price changes alter the quantity demanded is crucial to decision makers as they can be able to understand how responsive consumers would be to certain price changes (Jazayeri and Jazayeri, 2011: 102; Rossi, 1995: 17; Bernstein Research, 2007). Price elasticity is an important element when introducing products in a competitive market (Hauser, 1998). As quoted from the book Principles of Economics by Alfred Marshall (1920), “the elasticity (or receptiveness) of demand in a market is significant according as the amount demanded increases much or little for a given fall in price, and diminishes much or little for a given rise in price" (pp. 15). Parkin, Powell, and Matthews (2002) noted that the following affect the elasticity of price for a certain commodity: availability of substitute goods; percentage of income; necessity; duration; brand loyalty; and who pays.

Farris, et al (2007) postulated that company decision makers have to understand price elasticity to boost pricing strategies. Own, cross, and residual elasticity appear to exhibit subtle differences but further examination shows significant pragmatic implications. A study conducted by Engage Research explored on the relationship between elasticity and pricing strategy. Results based on the sales data showed significant difference between categories when equated with elasticity. The study indicated that the following product categories exhibited high elasticity: products with several brands; competitive market share among brands; insignificant trace of brand differentiation; and high price visibility.

Studies that focus on consumer reaction to price elasticity are rarely made available to the public. Most marketing firms, which conduct such studies, are barred from disclosing relevant results without the permission of their client. Hence several literatures have founded their assumptions based on prevailing theories that explain consumer behavior when price spikes occur. Some companies also consider aspects other than price. Brand loyalty and product reliability are important elements that push manufacturers, distributors, and retailers to move prices despite the potential consumer backlash. In the automotive industry, for instance, car dealers offer improve payment schemes to compensate for the price movement.

In an article published in Albawaba.com, Toyota was ranked as the best car manufacturer in Saudi Arabia. In particular, the Saudis were impressed with the RAV4, which garnered the Best Value award. Overall, the car manufacturer leads all car manufacturers having 20 out of the 26 recommended models tested. The magazine, Consumer Reports indicated that approximately seven million subscribers and more than 1.3 million vehicles were represented. In addition, Toyota has over the years maintained a strong brand value which has been crucial for its survival during recall crises and the recent economic recession. Being among the top brand leaders in the automotive industry (Automotive News, 2012; McIntyre, 2012), Toyota garners a high level of brand loyalty from its consumers which is also critical in understanding how consumers respond to price changes. This more so taking into account that research has found loyal customers to be less responsive to price hikes than loyal customers (Yoon and Tran, 2011:293).

With this level of impact in the automotive industry within a developing country, Toyota provides the best case study for which the impact of price elasticity in the company over the past decade can be used to explain changes in consumer's decisions to purchase cars, and what mainly influenced such decisions. Saudi Arabia which is a developing is appropriate for the study as Bernstein Research (2007:81) pointed out that reactions to price changes were more prominent and easily noticeable in developing economies than they were in developed economies. In this sense, consumer responsiveness in their decisions due to price changes is expected to be noted in this study.

Problem Statement

Understanding how price changes alter the quantity demanded is crucial to decision makers as they can be able to understand how responsive consumers would be to certain price changes

(Jazayeri and Jazayeri, 2011: 102; Rossi, 1995: 17; Bernstein Research, 2007). Price elasticity is an important element when introducing products in a competitive market (Hauser, 1998), as well as in ensuring that products remain competitive within the market. A number of studies have been done on optimal pricing for various decision models (Teng and Thompson, 1996; and Lin, 2008; Chin Chun Wu, et al, 2009 (cited in Jazayeri and Jazayeri, 2011)). The common assumption in these studies is the lack of variability in price elasticity of demand during the lifecycle of the products. Such an assumption though can be faculty especially in view of the recent economic recession (Jazayeri and Jazayeri, 2011), and in the recent trend towards fuel efficiency within the automotive industry.

Research on the impact on demand due to price changes is scarce (Dekenah, et al, 2003), especially so within the automotive industry. Among the research evaluating price elasticity of automotive is one conducted by Bordley (1993) which used time series data to estimate automotive elasticity within product segments. This research study seeks to add to the knowledge within the automotive industry by specifically focusing on Toyota company price elasticity, evaluating a number of the Toyota's brands in order to understand whether price changes significantly impact consumer purchasing decisions. In this, whether various brands are price elastic or inelastic will be determined, in order to help understand how pricing strategies used on such brands would have on consumer purchase decisions. No such research study has so far been done in Toyota Company within Saudi Arabia. Any research of this nature that may have been done has not been made public to scholars. This research study seeks to fill up this gap in knowledge.

Research questions and Objectives of the Study

The main objective of the study is to show the effect of price elasticity in the decision of consumers in Saudi Arabia to acquire Toyota vehicles. Specifically the research will tackle the following: consumers swayed to purchase other brands when the prices of Toyota increase; other determinants that affect consumer decision; and change in perception among consumers when price appreciation of Toyota occurs. In essence therefore, the study seeks to answer the following research questions in order to meet the objective of the research:

1. How does pricing impact the behavior of car buying consumers?
2. How do price changes impact upon consumer decision making?
3. What is the relationship between price and brand loyalty?
4. What Toyota brands are elastic and which are inelastic, and what impact does this have on the company's pricing decisions?

These four questions are still subject to some modifications depending on progress of document 2.

Justification and rationale for conducting the research study

Toyota is the leading and dominant automotive brand in Saudi Arabia with about 40% market share. Though Toyota faced one of its challenging periods in the industry in late 2009 with the recall of over 8.5 million units globally, it position on the Saudi market has been unwavering with the Saudi Arabia market accounting for over 70% of the Toyota Camry market (Business Monitor Report, 2010: 55). Furthermore, demand of automotive is strongest in Saudi Arabia with demand projected to rise as shown in Table 1. Most Saudi households are noted to be able to afford a car, with pricing factors playing a key role in the affordability and purchase decisions. Such pricing factors are impacted by low gas prices, low costs of car insurance as well as low maintenance costs (Saudi Arabia Automotive Report, 2011: 11).

Saudi Arabia Automotive Sales (Units)	2009	2010	2011	2012 (f)	2013 (f)	2014(f)
Total Sales	595586	619220	652769	714870	768502	816291
Passenger car Sales	479187	469948	522153	568813	609110	645016
Commercial Vehicle Sales	116398	122275	130616	146057	159392	171274
Car ownership of the population (%)	88	88.3	88.35	89.3	89.97	90.55

Saudi Arabia Automotive Sales and Projected sales. Source: Business Monitor Report, 2010: 19

Such factors may raise the question as to whether changes in pricing would impact purchase decisions within this country, more specifically for the most admired brand in the country; Toyota. Would consumers easily switch to other automotive brands should Toyota change its pricing models? Hills and Jones (2012:89) argue that understanding how consumers react in cases of price changes is essential for managers in understanding the dynamic relationship between pricing, costs, utility and demand in manner that will facilitate strategic decision making which optimize competitive advantage and profitability. This need for such understanding in Toyota’s core brands in one of the fastest growing automotive markets globally offers the rationale for conducting this study. Understand how elastic or inelastic a brand is, is crucial in enabling effective decision making, especially regarding pricing decisions.

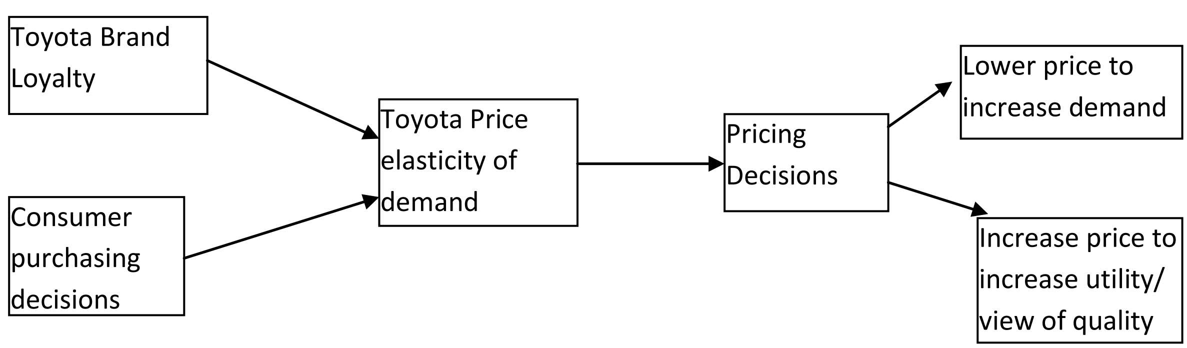
Significance of the Study

This research study is important as it will add crucial knowledge to existing literature and will also provided important knowledge for scholars who seek to further the studies in price elasticity in automotive industry. It will also provide critical and strategic information to Toyota company where the conclusions derived from the study will give insight as to how elastic or inelastic each of the Toyota brands, thus providing crucial information that is specific to the Saudi Arabian market in making pricing decisions. Furthermore, the information will help guide Toyota managers' understanding of the connection between prices, costs, and demand that is specific to the Saudi Arabian Market.

3. Preliminary Literature Review

Conceptual Framework

The conceptual development in the relationship between price elasticity of demand, pricing decisions, brand loyalty and consumer purchasing decisions in this research study is based on both Goldsmith, Flynn and Kim (2010) theoretical constructs and Hill and Jones (2012) strategic pricing options constructs (pp. 87-88). This relationship is as shown below:



From the above conceptual framework, it can be noted that brand loyalty impacts how elastic or inelastic Toyota vehicles are. A higher brand loyalty has been noted in various studies to be negatively related to price elasticity of demand (Krishnamurthi and Raj, 1991; Datta, 2003; Goldsmith, Flynn and Kim, 2010:326). The more loyal consumers of a brand are, the more likely they would still purchase the brand even if the price of the brand rises. On the other hand, consumer purchasing decisions influence the price elasticity of demand. If consumers base their decisions strongly on price, then the price elasticity would tend to be more elastic than if the consumers look for other factors in their purchase decisions such as safety and fuel efficiency in the automotive industry. An understanding of the dynamic relationship between customer decisions demand, and brand loyalty impact the pricing decisions and strategies of the company in a manner that such decisions aim at maximizing the company's profitability and competitive advantage (Hill and Jones, 2012).

Price elasticity of demand

Price elasticity of demand is defined as how responsive consumers are to changes in prices of commodities. It shows by how much demand is altered with changes in price (Eisenhauser and Principe, 2009:2; Lin and Prince, 2011). The long held logical reactions to price changes are that consumers tend to lower their purchases when the prices of products rise, while increase as to price falls. Such responsiveness varies based on the nature of the products and by how much a consumer needs the product (Lipschultz, 2008; Eisenhauser and Principe, 2009:2). Price elasticity (price sensitivity) is a facet of consumer behavior as it focuses on how consumers respond to changes in prices. The larger the price elasticity demand is, normally in negative, the more price-sensitive the product is. A price elasticity value of less than -1 is said to have elastic demand or rather a strong responsiveness of demand to price, while one which is less than -1 is said to be inelastic, where the demand is less responsive to price changes (Eisenhauer and Principe, 2009). Eisenhauer and Principe (2009:2) note that consumers tend to be more sensitive to the prices of products and services if they are aware and have knowledge of the prices of such products and its substitutes, and also if they are more sensitive to the prices of other products.

Though there are quite a number of research on price elasticity across various goods and services such as fuel or energy which are related to the automotive industry (Lin and Prince, 2011; Dale and Fujita, 2008), research on automotive industry are quite few, almost nonexistent. Notable studies include Hymes (1971) study which found the automobiles to have a -1.07 price elasticity in the short run, and a price elasticity of -0.36 in the long run. In addition, Lipschultz (2008) study which conducted a microanalysis of the automobile market and used power-curve regression for calculating demand function, found that the elasticity of demand for automobiles was -1.548 while the fuel adjusted price elasticity was put at -1.769 (pp. 4). This implies that the changes in the price of the automobiles considerably influences the quantity demanded by customer. A rise in automobile price reduces demand 1.5 times, while a drop increases it by the same proportion. Furthermore, a rise in the price of fuel also influences the purchase of automobiles.

A research that has been close in categorizing the various automobile segments is Bordley's (1993) study which estimated the elasticities of more than 200 vehicles using cross sectional data and the time series data. Categorizing the vehicles by segment, Bordley (1993) found that the economy vehicles had a price elasticity of -1.9, compact had -2.0, luxury vehicles had -2.4, while sporty cars had -3.4 (pp. 460). Other than this research, no research has specifically investigated price elasticity of specific automobile brand, and in specific the Toyota Company. This research seeks to fill this gap by evaluating the price elasticity of Toyota in Saudi Arabia and using this to understand customer purchase decisions, and pricing decisions that the firm need adopt to ensure a competitive advantage in the automotive market.

Pricing Strategies

Evolution of Pricing

As quoted from Webster (1991), pricing is as complex aspect to exhibit a unique characteristic and can be determined separately through analysis of prevailing market strategies. The studies of Jobber and Hooley (1987) and Hague (2004) posited that companies were created not just for the purpose of profit maximization but an amalgamation of pricing objectives. Pricing, however, is a critical component of stabilizing return of investments and ensuring long-term competitiveness of firms. Most important, pricing is used as a tool to maintain specific market shares and track the activities within the competition. The idea of pricing serving as complimentary mechanism is derived from the desire of companies to balance consumer perception.

Based on Thompson, et al.'s (1994) assessment, companies that known their customers can develop competitive advantage and gains from imposing higher prices. Several companies have succeeded in shifting customer focus from the margins to quality proposition. The idea presented by firms involves customers gaining long-term through reduced cost and overall satisfaction despite the spike in prices. The change is focus elevates companies from mere experts of their business but also adept in dealing with their customers.

The Value Map, coined after Doyle (2000) measures price competitiveness through focus groups helping in evaluating customer segmentation, quality preferences, and customer views of the offerings made by the competition. The approach, which is viewed as scientific has two major requirements. The first involves segmentation of markets and an assumption that there is variance in quality combinations. The second caveat supposes that buying criteria within firms are different with emphasis in large organizations where any form of monetary acquisition has relevant impact in the entire company (Kurtz and Clow, 1998).

The theory of consumption values developed by Sheth, et al. (1999) provides a criteria of buying dimensions, includes functional, social, emotional, epistemic, and conditional. Customers in consumer driven markets provide differential and standalone contributions to specific market choices. Business-to-business buyers, however, make decision based on additional factors, which include technology, finance, assistance, information, and strategy. These are elements are multi-dimensional and indicating that the latter type of buyers have objective motivations.

Gabor (1990) added that pricing is the ultimate goal of companies and Shipley and Jobber (2001) commented that pricing serves as the definitive marketing lever that create demand and increase profits. Knox and Maklan (1998) noted that companies are either active or passive in pricing but strategies are defined by competition, customer capacity, and other market forces. Price makers are also deemed are important players because of their capacity to affect market prices through monopolistic activities. Shipley and Jobber (2001) argued that pricing has to be a continuous process that needs to be established in a highly competitive setting. Part of the process involves error reduction and better overall decision making.

Several companies based their pricing using various strategies and themes. The following are some of the most prominently used in different industries:

1. <u>Profit Oriented Pricing</u> – This strategy is highly dependent of the company reputation and market position. Profit oriented pricing takes exception of opportunistic circumstances such as seasonal variation. Lambin (2000) proposed a strategy that focuses on profit returns from investment. This theory, however, discount the notion that demand is an

influenced by price levels. Another version of this strategy is volume oriented, which takes into account market share and revenue levels. Commonly used price mechanisms that meet these goals include penetration pricing and skimming pricing.

2. Cost Plus Pricing – Noble and Gruca (1999) studied on cost based pricing, which is common in most countries. This process is simple as it forecasts sales volume and deducts fixed and direct costs. A desired profit markup is also factored to determine the eventual selling price. Strict adherence to selling price provides several risks. Nagle and Holden (1994) stressed that cost driven pricing adversely affect competitiveness and a misconception is created between the price and the actual value of the product.

3. Competition Oriented Pricing – The goal of competition oriented pricing is to establish pricing stability. One example used by companies is targeting market share while forgoing profit margins. This appears to be difficult to maintain unless a company has low incremental costs and overall cost advantage. Another variation of this strategy creates a wait-and-see scenario where companies react to price changes imposed by competitors. Noble and Gruca (1999) stated that this approach shows company weakness and pricing should not be reactionary instead be based on fundamental strategies.

4. Market Oriented Pricing – Gabor (1990) opined that pricing based on market orientation is a highly preferable approach. This ensures that companies create pricing strategies based on customer patterns and behavior. Market oriented pricing balances cost with value. The idea is to achieve higher profits through better product value instead of making more sales.

5. Value Pricing – The notion of value pricing prioritizes the overall package of benefits offered by products (Lambin, 2000). The pricing is based on consumer view of value as well as the cost incurred by the customer instead of the supplier. Thompson, et al. (1994) suggested to weigh the factors that determine customer value and cost creating a matrix of cost/benefit tradeoffs. Customer perception is affected by various aspects both internal and external. According to Berry and Parasuraman (1991), the top five determinants of value include reliability, responsiveness, assurance, empathy, and tangibles.

6. Maximum Acceptable Price – This strategy maintains establishes the price after the core benefit to the buyer serves as a reduction to total cost upon comparison to prices offered by the competitors. Maximum acceptable price is derived from the total benefits less costs other than price. Winkler (1983) argued that there is difficulty in assessing what price the market will tolerate, hence this strategy is often shelved. In larger deals, however, Winkler (1983) concedes that prices are not the only determinant. But most deals are sealed on the basis of price; in particular weather the acquisition is cost effective to both the seller and the buyer.

Elements of Pricing

There are several factors considered before a pricing strategy is formulated (Neslin, et al., 1995). Some of these aspects include brand, income, and level of competition. In general distribution and retail, aspects involve customers, brand, market setting, category, chain, competitor, and store. Shankar and Bolton (2004) speculated that there is no clear relationship among the factors but simultaneous occurrences are expected. These factors either exist independently or require another factor to occur. Pricing becomes a successful endeavor when a company understands the nature of these forces and how these affect stability.

Competition: The events in a competitive industry affect the pricing decisions embarked by companies. Leeflang and Wittink (1996) observed that managers overreact when pricing adjustments are implemented by competitors. Urbany and Dickinson (1991) noted that competitors look for competitor price levels and number of deals closed when drafting pricing strategies. Some companies tend to implement inconsistent price changes when short-term gains are predicted. Rao and Syam (2001) concluded that closing deals serve as the most striking example of competitor activity. In a car dealership for instance, busy sales personnel connote heavy traffic on potential customers. Customers that have less knowledge of the competition would prefer a car dealer that has the longest queue.

Market Setting: Pricing strategies also consider the market in which the products are sold. It is expected that pricing in a highly urbanized city is different from a rural market (Dhar and Hoch, 1997). The forces that dictate the market will have a strong impact in the capacity of companies to set prices at sustainable levels.

Chain: The capacity of stores in terms of size and network is another important element of price determination. Huge car dealers, for example, has a better chance of selling vehicles at lower cost as compared to small dealers. In this factor, economies of scale and cost accumulation influence any pricing strategy. Bell and Lattin (1998) further added that location and position of the stores create recognition among consumers. In some instances, these stores become landmarks and are easily identified when planning to acquire a new car.

Store: The size of stores determines the capacity hold enough supply for customers. Dhar and Hoch (1997) mentioned several previous studies indicating the variance in pricing strategies used by stores of different sizes. Large stores have the luxury of choosing which cars to sell and also stockpile other prominent models that small stores can't house. Narasimhan, et al. (1997) stated that promotional elasticity decrease as the brand range increases.

Category: The notion of category influencing pricing revolves of the perceived economic opportunity. As Bell, et al. (1999) explained category attributes include share of budget, brand range, size range, capacity to store, and possibilities of impacting price elasticity. Shankar and Bolton (2004) highlighted storability and necessity are the most evident factor affecting price strategy. A vehicle deemed as storable and needed are the most likely to be purchased. Hence dealers will focus on such models.

Brand: Based on game-theoretic models, marketing initiatives provide the most influence in any pricing strategy (Shankar and Bolton, 2004). Keller (1993) underlined the importance of brand equity, which serves as the intangible value of a product to the customers. The promotion undertaken by car manufacturers often affects the discount provided to car dealers. Huge advertising costs are expected to be compensated by high vehicle price. Massive advertising ensures better market reception but higher price.

Customer: Several studies and theories support the claim that clientele variation has an impact in pricing (Shankar and Bolton, 2004). Hoch, et al. (1995), for instance speculated that loyalty is tied up with price sensitivity. Other factors such as customer behavior and demographics contribute to their overall capacity to react to price changes. For a company to survive the competition, full understanding of customer expenditure pattern must be established.

Consumer Reaction to Price Change

Customers' reaction to price increase is dependent on a range of factors. The dual entitlement (DE), suggested by Kahneman, et al. (1986) states that perceived fairness is directed by the notion that producers are entitled to a certain level of returns and consumers are also entitled to have price references. The understanding in this principle is that prices tend to increase as costs go up but there is a sense of fairness required. The study of Bolton and Alba (2006) touched on the idea that consumers are more forgiving to price increases as long as the spike is caused by clear vendor cost. The study also discussed the different reactions that costumers have when prices in a good or a service is increased. Bolton and Alba discussed the concept of aligned costs, which is important in justifying price increase.

There are several classical theories developed by psychologists related to price reactions. Even marketers and economist agree that these theories are vital in understanding the relevance of customer response.

1. Adaptation Level Theory – In relation to pricing, the Adaptation level theory (Helson, 1964) that consumers rely mostly on previous price experience. The adaptation level is often called as the reference price. The price usually is not the amount marked in the product but the price developed in the minds of the consumers. There were several studies that explored on this theory. The most notable involved weighing promotional frequency and the likeliness that customers will purchase a good because of promotional activities (Kalwani, et al., 1988).

2. Prospect Theory – Several markets indicated the variance in response made by consumers in relation price increase or decrease (Monroe, 1976; Rinne, 1981; and Raman and Bass

1988). These studies have found out that customers react more negatively to price increase than positively to price decrease. The prospect theory, developed by Kahneman and Tversky (1976) explained that choice is dependent on how the problem is posed and reactions are based on perceived gains and losses from a reference point. Further application to pricing reveals that an increase in price means a loss in value for customers and decrease in overall gain.

3. Assimilation-contrast Theory – The theory proposes that in a group of reference price, customers are expected to view these prices as different from the actual value wherein the possibility of exaggerating the large difference is possible (Raman and Bass, 1988). One of studies conducted by Raman and Bass focused on an area of indifference about price reference, which produces no significant reaction when price change occurs. The concept 'latitude of acceptance' is introduced suggesting a range of acceptable prices without implying indifference when compared to prices of individual goods. In pricing terms, assimilation recommends that within a certain range, price change may appear to be smaller than what is perceived. Outside the range, customers tend to take notice of the price change and will exaggerate the effect.

4. Attribution Theory – Dodson, et al. (1978) introduced the idea that promotion on products has significant short-term effect to consumers but the probability of purchase become negative in the long run. The main idea promoted by the Attribution theory is that behavior is a major component examined before s customer becomes inclined to a product. Dodson, et al. (1978) explained that high frequency of promotion would lead to high short-term gains but long-term purchase probability decreases. The reason behind this contention is that customer would start to feel that their purchase is only justified by

the promotion and not the value obtained from the product. There is a diminishing effect that lessens the likeliness of purchase.

A study done by Rotemberg (2005) investigated on ‘consumer anger’ observed when prices of goods go up. Price changes were equated on economic shocks caused by monetary policies. The research concluded that consumer response appear to be irrational due to their tendency to maximize any form of material gains. Consumers also seek for actions that could hard a firm that increases prices. Hence some companies are cautious in inducing these emotions from their customers.

Consumers are likely to differ significantly from each other in both their knowledge and their attitude towards sellers. However, anger at sellers seems to be communicable and possibly capable of leading to a form of discontinuous change in purchases. Hence, information transmission from one group of consumers to another seems to be important in practice. Consumers have an idea of how sellers behave and companies take this theory into account when creating pricing strategies. The theory that consumers have about producer behavior does not agree to the way the producers actually behave in the model (Rotemberg, 2005).

Price elasticity and consumer decision making

As noted above, price elasticity is all about by what degree consumer’s demand respond to price changes. This implies that with various price changes, for demand to be impacted, consumers have to make purchase decisions. Decisions on what price to pay, or on comparing prices is the very key essence of competition in a marketplace and also the very essence of by which consumer thinking is etched when making transaction decisions (van Boom, 2011:360). This implies that consumers mainly take prices into account when making decisions regarding purchase.

Analyzing consumer thinking and the basis of decision making, it can noted that it has been a long observed view that consumers are rational decision makers and that their cognitive abilities have a great influence in their decision making thinking (van Boom, 2011).This implies that consumers need to have knowledge on pricing information for effective decision and for them to effectively respond to any changes in prices. Shwartz (2004) and Markman and Loewenstein however (2010) argue that providing more information to consumers does not necessarily imply that the quality of decision making would improve. Rather, van Boom (2011:361) suggests that single portion of strategic information need to be provided to improve decision making.

For instance, using mental short cuts such as the connection between price and quality where a higher price is used to denote quality, impacts a consumer’s decision making process. Such views and perceptions impacts how consumers react to price changes and the consequence is that consumer may end up overrating or undervaluing the significance of price in decision making, especially when customers hold the view that price is representative of quality, even though quality and price may be highly uncorrelated (Kirchler, 2010; Chen et al, 2009). This sort of consumer decision making though occurs when context of the product makes the consumer focus more on the attributes of the product other than price. For instance, a customer may focus on features such as safety and fuel efficiency in motor vehicles, aside from the price of such a car while making purchase decision. Despite the above perception on the relationship between price and quality, and despite the features which denote quality, price is still undoubtedly a core market variable in consumer decision making (Liu and Soman, 2008).

Price elasticity and Brand Loyalty

Research literature is awash with issues concerning brand loyalty and ways in which such brand can be developed. Various scholars have described brand loyalty in different ways. For instance, Jacoby (1975) argued that brand loyalty refers to the tendency of a customer being biased towards a specific brand, resulting to such customers consistently purchasing the brand overtime. Goldsmith, Flynn and Kim (2010:326) on the other hand viewed it as having two dimensions: attitudinal commitment to a brand and repurchase frequency. Though a universally agreed definition has not been reached yet, both practitioners and researchers view it as paramount in impacting a firm's sales and profitability (Rundle-Theile and Mackay, 2001; Bennett and Rundle-Thiele 2005; Ramirez and Goldsmith, 2009:201). Melton (2004) shows in his research that loyal consumers are a source of steady income for a company. Such company is saved from the cost of acquiring new customers. In addition, loyal customers are often willing to pay more for their favorite products and brands, making them less sensitive to price changes as they are making brand choices (Melton, 2004; Yoon and Tran, 2011).

Quite a number of studies have investigated the relationship between brand loyalty and price elasticity of demand. Krishnamurthi and Raj (1991:172) in their empirical research show that in making purchase decisions in brands, consumers have to make a brand choice or they have to make a purchase quantity choice. In making brand choice decisions, customers who are loyal to a brand, tend to be less price sensitive than non loyal ones, where rises in the price of such brands dos not greatly impact demand for such products. These findings are further confirmed by Datta (2003) who in their study of the UK consumer goods items, note that price sensitivity and brand loyalty are negatively related. Furthermore, Goldsmith, Flynn and Kim (2010:326) found that brand loyalty does impact price sensitivity in purchase decisions with regard to clothing. This implies that brand loyalty relates to a customer's willingness to pay more for a product and goes against the price elasticity of demand logical reasoning.

The relationship between price elasticity and brand loyalty is important as it helps in understanding why consumers differ in their expenditures and willingness to pay. Various reasons have been given for consumers being loyal to a brand, with a most notable one being for status purposes. Fornier (1998) in is study suggests that consumers who seek to build their status through what they purchase and consume, tend to purchase brands that provide such status hence helping in developing of loyalty to the brand as long as the brand provides this status. Within the automotive industry, loyalty can particularly be strong especially since automotives are a visible sign of status (Xuehua, Zhilin, & Ning Rong, 2009; Carrete Lucero, Lopez Legorreta, & Cervantes, 2008). However, research of the relationship between brand loyalty and price elasticity within the automobile industry is nonexistent. This research seeks to fill this gap in knowledge.

Automotive Industry in Saudi Arabia

Based on the Business Monitor Report as of Q4 2010, the automotive market posted modest growth. Despite the global economic turmoil, car dealers have remain positive and Saudi Arabia is poised to introduce locally produced cars. In particular, the report highlighted the growth in the market because of the rising income of locals. By 2014, BMI estimated that about 91% of the population will own cars and total sales from automotive vehicles will reach $21.5 billion. Japanese cars dominate the competitive landscape accounting for 65% of the market share. About 23% of the cars are produced by European makers while the rest are sourced from the US.

The used cars market has also improved posting a market share of 13%. The top dealer in Saudi Arabia is Abdul Latif Jameel Group, which sells Toyota, Lexus and Daihatsu.

According to EIU, car ownership is common in Saudi Arabia because public transport is limited and gasoline prices are relatively low. The economy continues to remain strong and the rising income per capita continues to improve future demand. Although women are banned from driving, several well-off women own cars and hire male drivers. There is a public clamor to uplift this ban although such process could take time.

Recent figures suggest that there is a medium to low disparity between incomes of Saudi locals to the price of cars. But latest models have been valued cheaply and most households are viewed to have the capacity to own cars. Petrol prices are low and insurance for motor vehicles are affordable. The most important development is the influx of financing avenues through banks and financial intermediaries. Although the recent credit crunch has affected the growth, there is a strong indication that such activity will prosper (Saudi Arabia Automotive Report 2011).

Overview on Toyota's Value Proposition

In the industry of auto manufacturing, Toyota is considered as one of the most admired and highly emulated. In Asia, Toyota ranks as the biggest car manufacturer. The cars that Toyota produced have encompassed almost all the regions in the world. Cars that Toyota produces conform to the paying capacity of most consumers. The concept that Toyota promotes is evident in the cheap but quality cars. Aside from the products, the organization has been admired because of its concern with the customers.

The quality that Toyota has instilled in its cars is truly phenomenal. Some credit this performance to the strategic planning that the company formulates. Others believe that Toyota has learned to capture the deepest desire of consumers in cars. Toyota's strength, however, is credited to its methods of production. The primary reason Toyota's success is the method in which the cars are developed. The total quality management (TQM) that the firm employs creates the harmony within the production site.

TQM assumes that quality covers less cost and unproductive workers. The cost of poor quality is actually higher than the cost incurred in developing the quality of goods and services. It has to be noted that the organizational procedures advocated by TQM are deemed to promote profitability and keep costs low. (Ishikawa, 1985) The second assumption implies that employees by nature aim at improving their work and production. The role of firms is to provide ample tools and training to the workers. Juran (1969) observed that employees have natural passion towards beauty and precision.

The third assumption is related to the systems of organizations described as highly interdependent. Usually, problems are faced in consistently cross-traditional functional lines. In achieving quality, the challenges in production have to be considered part of the entire system. The final assumption is concerned with senior management. Definitely, the top executives have to be the forefront in addressing issues and efforts to attain quality (Deming, 1986). In manifesting TQM there are particular principles that are used as guides by organizations.

One of the classic methods that Toyota introduced in the world economy is the process of just in time inventory. The logic in this method is emphasized on the production and delivery of cars to customers (Hirano, et al., 2006). In implementing this method Toyota sees financial and operational benefits for the firms. The essence of the system is the fast dissemination of automobiles to make way for other productions. The use of the inventory makes way for Toyota to introduce newly innovated cars in the market.

Toyota continues to build its organization with quality as the cornerstone. For the company, the only way to maintain its lofty position in the market is to exhibit continuous growth and development. Toyota firmly believes that quality in an unlimited concept. Thus, achieving quality is a process and a cycle. The company has focused on quality as other companies have continually made successful upgrades. The immense improvement that Toyota has been undertaking will be crucial in its future market standing.

Continuing the quality enhancement has been the primary goal of the company. The immediate recipients of such aim are the workers of the company. Toyota has recognized the need to allow employees to flourish. Toyota has been undergoing several researches in improving product quality. The company has been modifying the procedures to ensure that TQM is being implemented (O'Brien, 2003).

Abdul Latif Jameel Corporation – Toyota Distributor in Saudi Arabia

Abdul Latif Jameel Corporation (ALJ) was founded in 1945 by Sheikh Abdul Latif Jameel. In mid-1950s, ALJ became the sole distributor on Toyota in Saudi Arabia. Although ALJ is a diversified company, most of its activities are derived from automotive. ALJ mostly sells Toyota brand vehicles though showrooms and local dealerships. As of 2012, ALJ has more than 60 showrooms and 100 dealer outlets. The company also provides automotive parts and maintenance. Overall, ALJ controls around 40% of the car market share in Saudi Arabia. ALJ also maintains fleet sales systems to government offices and large corporations. The company's network expands to other areas in the Middle East, Africa & Europe and is supported by approximately 10,000 employees (ALJ.com).

Market Segmentation and Toyota Market share in Saudi Arabia

	2010	2011	2012 Forecast
Industry Size(Units)	600,065	595,977	650,000
ALJ	239,915	242,458	267,500
Market Share %	40.0%	40.7%	41.2%
Lexus	5,807	5,781	8,000
Market Share %	1.0%	1.0%	1.2%
Daihatsu	5,728	8,239	9,500
Market Share %	1.0%	1.4%	1.5%
Total Toyota	228,380	228,438	250,000
Market Share %	38.1%	38.3%	38.5%
Passenger Cars	103,331	109,391	105,650
Seg Share %	33.0%	35.0%	32.8%
SUV	44,740	48,391	58,400
Seg Share %	35.5%	34.0%	34.9%
Commercial vehicles	80,309	70,656	85,950
Seg Share %	49.9%	50.0%	53.6%

* Toyota is the leading Brand in Saudi by 38.3% Market share (ALJ-Toyota Marketing).

4. Research Methodology

Methodological Approach and Research Design

This research study will use mixed research method to exam the impact of price elasticity of Toyota on consumer decision making and Toyota's pricing decisions with regard to its various brands. In the quantitative research design a cross sectional regression estimation on price and sales data over a three years period will be carried to estimate the slope that determines the price elasticity of demand. This quantitative research design is appropriate as it the study seeks to calculate the elasticity of demand which is response on demand due to changes in prices ($\partial Q / \partial P$). This quantitative approach will seek to establish changes on consumer sales data, on various price changes for different Toyota vehicles, and in essence, establish the price elasticity of demand for these vehicles. The use of regression to examine brand price elasticity has successfully been used in previous studies, providing accurate results especially over a long term period (Hamilton, East, and Kalafatis, 1997: 288). Furthermore, a research survey of Toyota car owners will be carried out to determine their level of loyalty to Toyota brand based on how they would react with changes in Toyota vehicle prices based on 3-4 Toyota vehicle models which will have been identified as favorite brand after a preliminary survey to determine this.

In the qualitative research design, interview will be used to understand the pricing decisions in Toyota based on the derived price elasticity of demand, where deep rich data with regard to specific selected vehicles produced by Toyota will specifically be looked at, in order to understand what impact price elasticity for these vehicles have on the pricing decisions of these vehicles. The use of interviewing would be essential in this case as it would provide deep rich data (Bryman and Bell, 2003: 302) on the dynamics of how pricing decisions for different car models are influenced taking into account the price elasticity of demand.

The use of mixed research methods is appropriate for this study as it would enable sufficient information to be collected and analyzed in the best way, and also helps in cancelling out the weaknesses of having to use either quantitative or qualitative method alone (Bryman and Bell, 2003).

Sources of Information and Measurement Plan

The sources of information for quantitative analysis will be company price and sales data over the past three years as shown from the company documents, while the participants for the study in the face to face interview will mainly entail about three to five business executives from Saudi Arabia's Abdul Latif Jameel Corporation, the core distributor of Toyota vehicles. In quantitative analysis, the data gathered will be based on the original local currency measurement, and will be regressed against each other to determine elasticity of demand. Specifically, the data which will be gathered will be sales data and the different prices over the three years period.

For the survey questionnaire, a target of 30-50 Toyota car owners will complete the questionnaires to measure attitudinal views with regard to 3-4 selected Toyota vehicle models, and how they would react with changes in the prices of these models. The survey questionnaire will follow Goldsmith, Flynn and Kim (2010) multi-item scale, even though the measurement will be adjusted to prominently feature brand loyalty and price sensitivity. This measurement tool has been widely used by other researchers to analyze price sensitivity with regard to various brands (Goldsmith, Flynn and Kim, 2010; Ramirez and Goldsmith, 2009)

As for the interview, a semi structured interview will be used to gather information where key questions that will guide the interview including: "how does elasticity of demand impact how consumers purchase Toyota vehicles?", "How has pricing decisions for Toyota vehicles been changing over the past years?", "What pricing decisions have been implemented over the past three years after the economic crisis, give customer demand?" and "which Toyota vehicle models are price elastic and which ones do you feel are price inelastic?'. These are some of the questions that will guide the interview process.

Data Analysis plan

The data gathered will be analyzed both qualitatively and quantitatively and a relation between the qualitative information and the quantitative results be done to obtain meaningful conclusions. Particularly, in qualitative data analysis of the interview results, the analysis will mainly be based on narrative analysis where key themes from the interview data are identified and compared across interviewees, with an analytical induction conducted on these identified information in order to make sense of the information deducted, and linking them to the research objectives and questions (Walter, 2010).

In addition, the sales and pricing data gathered from the company records will be analyzed quantitatively. A multiple regression analysis will be used to analyze the quantity of sales of specific vehicle models, and their prices, to understand how the prices of each model related to the total quantity of the vehicles sold and also specifically to the quantity sold for that vehicle model. The slope derived from the regression equation for all vehicle models will represent the price elastic of demand for Toyota vehicles sold in Saudi Arabia, whereas the specific slopes for regression on sales and prices of selected vehicle models will show the elasticity of demand for those specific vehicles. Furthermore, the data gathered from the survey will be analyzed using correlation analysis, where price sensitivity as calculate from the survey and as derived from the above regression analysis will be compared against attitudinal brand loyalty derived from the research, to understand how these relate.

These analyzed data will be used together with information gathered from the interview, to understand how elasticity of demand impacts consumer purchase decisions and Toyota’s pricing decisions. It will also show how brand loyalty in various models relates price elasticity. It is expected that vehicle models which are inelastic would experience changes in prices over the three years period more frequently, than would those which are elastic, which would tend to have more stable prices. Furthermore, brands which garner more loyalty from consumers tend to be price-inelastic unlike those which consumers less loyal.

Ethical Considerations

A number of ethical considerations will put into consideration with regard to this research study. First and foremost, the confidentiality of the participants of the research survey will be upheld. Furthermore, the participants of the study will take part in the research study voluntarily out of their own volition. The participant information will not be revealed to any other third parties including interview details of the persons interviewed. As the qualitative part of analysis will mainly entail researcher interpretation as to the information that has been gathered, a more objective stance will be take in order to develop validly viable results based from the interviews. These are the core ethical considerations that will be included in this research study.

5. Outline for Documents 2, 3, 4, and 5

Document 2

The second document is provided to demonstrate the extent of knowledge on the subject discussed. In this section, key concepts, empirical evidence, and other relevant theories will be presented. As stated by Lecompte (2003), the review of literature as a document is a standalone document. Gall, Gall, and Borg (1996) mentioned the literature serves its purpose in the following: (a) delimiting the research problem; (b) pursuing new lines of inquiry; (c) promoting efficient approaches; (d) obtaining methodological insights; (e) identifying methods for future research; and (f) seeking support from grounded theory.

As quoted from Hart (1998), review of related literature is established for the following:

> “Distinguishing what has been done from what; discovering important variables relevant to the topic needs to be done; synthesizing and gaining a new perspective; identifying relationships between ideas and practices; establishing the context of the topic or problem; rationalizing the significance of the problem; enhancing and acquiring the subject vocabulary; understanding the structure of the subject; relating ideas and theory to applications; identifying the main methodologies and research techniques that have been used; and placing the research in a historical context to show familiarity with state-of-the-art developments.” (pp. 57)

Pricing and its impact on the consumer behaviors are considered important functions of companies. The following topics will be discussed to further support the discussion flow of the study:

- The role of pricing in company competitiveness/sustainability/survival
- Pricing strategies and mechanisms
- Evolution of Automobile market including supply, demand, and development
- Discussing consumer reaction to price changes both increase and decrease
- Relation between pricing and brand loyalty
- Dimensions of consumer behavior and the concept of customer value

- Dilemma of increasing price (resulting to low quantity sold but high sales value) or maintaining price (resulting to high quantity sold but low sales value)
- Strategies used to compensate for increase in price
- Effect of consumption pattern in making buying decisions

The research is information based and highly depends on the validity and accuracy of data gathered. Therefore, the research seeks to complete the necessary information to arrive at credible conclusions. Information is an important aspect in any quantitative research. The data gathered along with theoretical frameworks will serve as the foundation of the discussion. In this research the data is categorized into primary and secondary. Primary information is extensively used in the study specifically in the part of the discussion. Also, the primary information is essential in arriving at conclusions at the end of the study. The data gathering process will tackle two important aspects of information.

Document 3

In the qualitative research design, face to face interview of about three to five business executives from Saudi Arabia's Abdul Latif Jameel Corporation, will be conducted. These will used to understand the pricing decisions in Toyota based on the derived price elasticity of demand, where deep rich data with regard to specific selected vehicles produced by Toyota will specifically be looked at, in order to understand what impact price elasticity for these vehicles have on the pricing decisions of these vehicles. One of the major advantages of face-to-face interview is flexibility as it allows the interviewer to shift the line of questioning. Face-to-face interviews also allow the interviewer to collect complex information. The use of interviewing would be essential in this case as it would provide deep rich data (Bryman and Bell, 2003: 302) on the dynamics of how pricing decisions for different car models are influenced taking into account the price elasticity of demand.

Document 4

This research study will use mixed research methods in carrying out research. This section will follow a quantitative approach. The content of the questionnaire will revolve around these questions: (1) what are the competitors models considered before purchasing current car; (2) what make buy your current car; (3) what were the factors for the decision; (4) what do you think of the price of your current car. The main section of the questionnaire will also include price assessments of identified models as well as alternative brands sold in the market. The subjective part of the interview asks for the perception of owners when the price increase as well as their reason for opting to stay loyal to the brand or explore other models. The sample size and demographics will be decided at a later stage.

First and foremost, a survey will be conducted to retrieve the needed information for the analysis and discussion in a quantitative manner. The subjects of the interviews are included in the following criteria:

- Current car owners who acquired Toyota vehicles in the past 12 months
- Male Saudi nationals (as stated earlier, although women own cars they are banned from driving in the country)
- 18 – 45 years old
- Models targeted Toyota vehicles include (Camry, corolla, Land Cruiser, RAV4 …)
- The exact model(s) will be decided at a later stage

A target of 30-50 respondents (Toyota car owners) will be determined and interviewed although this number may change. Aside from the basic screening information, the respondents will be asked to provide their educational level, monthly personal income, monthly household income, current profession, and number of people in the household. They will be asked some other questions related to cars, like when did they purchase their cars? What are the brands? What are the brands they drove before current brands? What they think about the price? Finally the respondents will be asked personality related questions to see how their friends or family describe them. How willing are they to talk openly, candidly about their views, dislikes and what they would like to see improved?

Furthermore, in the quantitative research design a cross sectional regression estimation on price and sales data over a three years period will be carried to estimate the slope that determines the price elasticity of demand. This quantitative research design is appropriate as it the study seeks to calculate the elasticity of demand which is response on demand due to changes in prices ($\partial Q / \partial P$). This quantitative approach will seek to establish changes on consumer sales data, on various price changes for different Toyota vehicles, and in essence, establish the price elasticity of demand for these vehicles. The use of regression to examine brand price elasticity has successfully been used in previous studies, providing accurate results especially over a long term period (Hamilton, East, and Kalafatis, 1997: 288).

Document 5

A triangulation approach building on the work completed for documents 3 and 4 is envisaged for document 5. A structured questionnaire will be prepared that will contain mainly close-ends questions, with 2-3 open ends. The questionnaire will be worked out thoroughly considering the objectives of the research and information areas to be covered. A draft copy will be submitted upon confirmation of the project for suggestions and approval. Other information needed can also be incorporated at the questionnaire development stage.

6. Issues and Limitations

One of the major limitations of this research is the subject which is confined to Toyota vehicles. As discussed previously, Toyota is the top car brand seller in Saudi Arabia and this will allow exploration on a good number of respondents. Another consideration that needs to be highlighted is the focus of the study on male only owners. Female drivers are indeed banned but some of them own cars and their perception could provide another interesting dimension for the research to tackle.

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A critical literature review and initial conceptual framework

Document 2 Re-submission#2

The Impact of Price Changes on the Brand Equity of Toyota in Saudi Arabia

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Chapter 1 – Introduction

In order for marketing managers to develop and implement effective marketing strategies, it is necessary to understand the impact that price changes have on consumers' purchasing behavior and purchasing decisions. In particular, the market price of automobiles is one of the most significant factors that can influence consumers' purchasing behavior and purchasing decisions. Since price movement can affect consumers' purchasing behavior, a majority of marketing managers are concerned with analyzing the impact of price changes on brand equity and consumer behavior (Yoon and Tran, 2011).

Most of the available research studies are focused on examining the impact of marketing mix on brand equity (Buil et al., 2011; Chattopadhyay, Shivani and Krishnan, 2009; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000). Specifically the study of Valette-Florence, Guizani and Merunka (2009) examined consumers' opinion with regards to the impact of sales promotion intensity and brand personality in the development of brand equity. Indrayani, Siringoringo and Saptariani (2008) analyzed the impact of price changes on customers' brand loyalty sensitivity whereas Villarejo-Ramos and Sanchez-Franco (2005) tested the impact of price promotion and marketing communications on several dimensions of brand equity such as brand awareness, brand image, brand loyalty, and perceived quality.

Even though there are quite a lot of existing research studies that aim to examine the impact of price changes on consumers' purchasing behaviour and the company's brand equity (Buil et al., 2011; Chattopadhyay, Shivani and Krishnan, 2009; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000), most of these studies were examining non-durable products or fast-moving consumer items like household cleaning products, food and beverages, clothing and textile, or footwear. Since the cost of fast-moving items are relatively cheaper as compared to durable items, the research findings presented in these studies may not be applicable in the case of Toyota in Saudi Arabia.

In relation to the impact of price changes over the purchasing habit of consumers, this study will seek to determine how consumers would respond to a sudden price adjustment in Toyota vehicles in Saudi Arabia. *In making this determination it is acknowledged throughout this study that consumers in Saudi Arabia are not the same. The diversity of Saudi Arabia's consumer market is evidenced by the fact that in the country's major cities, "all manner of modern consumer products" that were not previously available are now freely available (House, 2012, p. 131). The only products unavailable are products entertainment, alcohol and books perceived by the government as "subversive" (House, 2012, p. 131)*. Throughout the course of this study, the readers are expected to gain a better understanding of how consumers would behave in response to incremental price changes in selected models of Toyota. Furthermore, this study also seeks to determine the impact of price movement on the point-of-view of car owners and potential car buyers. To increase the competitive advantage of Toyota in the automotive industry in Saudi Arabia, this study will make use of the gathered primary and secondary research findings in designing several marketing strategies informing how Toyota can improve its future pricing strategies.

1.1 Background of the Research Problem

As a result of Saudi Arabia's economic growth and development, Western countries have consistently competed for a share of the Saudi Market. The automobile industry has been particularly interested in the Saudi market with sales in imported cars increasing annually even during the global financial crisis from 2007-2009 (Business Monitor, 2010). Given the consistent increase in the sale of imported vehicles, the market competition within the automotive industry in Saudi Arabia is very intense. It therefore follows that Toyota would want to distinguish its vehicles from the competition as a means of gaining a competitive edge. In seeking to gain a competitive edge it is useful to understand the factors that influence consumer purchasing behavior. Understanding consumer purchasing behavior positions a firm so that it can identify and meet consumer expectations, desires and needs (Clow & Vorhies, 1993).

Several factors that can affect the purchasing behavior of consumers include vehicle safety, driving comfort, fuel efficiency, and price (Read, 2012; Jeihani and Sibdari, 2010, p. 1). Considering the instability in the market prices of fuel, it is automatically expected that fuel efficiency will have a significant impact on the purchasing behavior of consumers. However, several research studies demonstrate otherwise. For example, a study conducted by Turrentine and Kurani (2007) consisting of semi-structured interviews among 57 households representative of various lifestyles in the US, revealed that consumers generally do not factor in fuel prices when purchases a vehicle. Virtually all of the participants admitted to not including gasoline prices in their household budgets and fuel prices are usually only relevant at the time of purchase and usually forgotten soon afterward (Turrentine & Kurani, 2007).

A study conducted by Vance and Mehlin (2009) confirms that fuel prices have an impact on automobile market share and therefore on consumer purchasing behavior. Vance and Mehlin (2009) conducted a study of the automobile market in Germany using panel information for newly registered cars and conducted an "econometric analysis of the impact of fuel costs" on automobile market shares (p. 31). Using a "nested legit model" which identifies and reports car market segmentation, Vance and Mehlin (2009) found that fuel prices had an impact on automobile market shares (p.31). This study however, does not provide direct evidence of consumer purchasing behavior nor does it state whether or not market share is influenced by consumer purchasing behavior or merely the perception that consumers may modify their purchasing behavior as a result of rising fuel costs. It only provides proof that automobile companies in Germany reduce their market shares in anticipation of a decline in automobile sales when fuel prices decline.

Edelstein and Killan (2009) examined data reflecting consumer spending and energy prices in the US in 1979 when energy price increased significantly and 1986 when energy prices decreased significantly. Research findings indicate that while energy prices corresponded with consumer spending, it was not the primary determining factor (Edelstein & Killan, 2009). Verboven (2002) examined empirical data of automobile purchasing in Europe where consumers can choose between diesel and gasoline vehicles. Diesel vehicles get better mileage on the diesel and diesel attracts less tax than gasoline. Yet, consumers in Europe are more partial to gasoline vehicles (Verboven, 2002). Moreover, despite the perceived high demand for fuel efficient cars such as hybrid cars, annual sales did not meet expectations (Read, 2012; Tuttle, 2012).

It would therefore appear that there is a very little empirical evidence supporting the contention that fuel prices correspond with consumer purchasing behavior. While fuel prices may be a factor, it has not been proven to be a decisive factor. Moreover, car sales have consistently increased in Saudi Arabia and it can therefore be assumed that the price of fuel is not having an appreciable effect on the purchasing behavior of consumers in the Saudi automobile market. For this reason, this study assumes that the market price of automobiles is the main contributor in the demand of new cars.

This aim of this study is to determine how changes in the market price of vehicles can affect consumer behavior particularly with respect to purchasing a new vehicle. To ensure that Toyota as an automobile company is capable of grabbing and maintaining the biggest market shares in Saudi Arabia's automobile industry, marketing managers should have a strong understanding of how changes in price can affect not only the market demand but also Toyota's brand equity and brand reputation (i.e. brand awareness, brand association, brand loyalty, and perceived quality) (Jazayeri and Jazayeri, 2011, p. 102).

To maximize the marketing manager's chances of success in selling a new car model in Saudi Arabia, Hauser (1998) informs that the marketing manager should take time to learn more about the impact of price changes on consumer behavior even before exerting an effort to introduce a new vehicle model in the market. Other than the issue on price changes, Parkin, Powell, and Matthews (2002) explained that other external factors such as the availability of product substitute, income, the need to purchase a new vehicle, and brand loyalty can also affect consumer behavior.

Farris et al (2008, p. 5) assume that marketing managers should fully understand price changes in order to increase their ability to develop and implement effective pricing strategies. For example, Engage Research (n.d.) conducted a study which aims to explore the relationship between price differentiation and consumer perception on quality. Engage Research (n.d) used two drinks of a similar nature priced at 12 pounds and 18 pounds. The results of the study indicated that consumers perceived that the higher priced drink had higher quality, but indicated that they would only purchase it on special occasions while the lower priced drink would be purchased more often and would become their brand of choice (Engage Research, n.d.). Engage Research (n.d.) therefore concluded that price is one of the main components of the marketing mix (4P's). Engage Research (n.d., p. 2) also concluded that based on research findings, continuous price promotion will only weaken the company's long-term brand equity.

In an article published by Albawaba.com, Toyota was ranked as the best car manufacturer in Saudi Arabia. In particular, the Saudis were impressed with the RAV4, which garnered the Best Value award (Albawaba.com, 2011). Overall, the car manufacturer leads all car manufacturers having 20 out of the 26 recommended models tested. The magazine, Consumer Reports indicated that approximately seven million subscribers and more than 1.3 million vehicles were represented. In addition, Toyota has over the years maintained a strong brand value which has been crucial for its survival during recall crises and the recent economic recession.

As the top brand leader in the automotive industry (Automotive News, 2012; McIntyre, 2012), Toyota was able to gain a high level of brand loyalty from its consumers. In general, loyal customers are said to be less responsive to price hikes as compared to non-loyal customers (Yoon and Tran, 2011, p. 293). By examining how consumers would respond to price changes in Toyota-made vehicles, this study will determine whether or not consumers will remain loyal to Toyota brand despite the presence of price changes.

1.2 Problem Statement

It is a challenge for marketing managers to fully understand how price changes can affect consumers' purchasing behavior (Jazayeri and Jazayeri, 2011, p. 102). Price is defined as "the amount of money that a buyer pays to obtain a good or a service from the seller" (James, 2009, p. 100). In most cases, price is considered as one factor that most consumers consider when judging a product for its quality (Zeithaml, 1988). Aside from promoting brand loyalty, the market price of products and services will also affect the purchasing behaviour of consumers in Saudi Arabia.

Several studies have tried to examine the impact of price changes on consumers' purchasing behaviour and the company's brand equity (Buil et al., 2011; Chattopadhyay, Shivani and Krishnan, 2009; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000). However, most of the available studies were focused on examining the impact of price changes on non-durable products or fast-moving consumer items like household cleaning products, food and beverages, clothing and textile, or footwear. Since the cost of fast-moving items are relatively cheaper as compared to durable items, the research findings presented in these studies may not be applicable in the case of Toyota in Saudi Arabia.

1.3 Aims or Purpose of this Study

Up to the present time, there is no single study available that can clearly explain the impact of price increase and decrease on the brand equity of durable goods in Saudi Arabia. Since there is an identifiable gap in the literature, this study will focus on examining the impact of price changes on the brand equity of Toyota in Saudi Arabia.

1.4 Research Objectives

To analyze the effects of price changes in the decision-making of Saudi Arabians when acquiring Toyota vehicles, the objectives of this research study are as follow:

1. To determine how pricing can affect consumer behavior when buying a car;
2. To determine how price changes can affect Toyota's dimension of brand equity (i.e. brand awareness, brand association, brand loyalty, and perceived value); and
3. To determine whether or not consumers in Saudi Arabia will be swayed to purchase other brands in the event the market price of Toyota vehicles increases.

1.5 Research Questions

The primary research question is: "What is the impact of price changes on consumers' behavior in Saudi Arabia?" In order to achieve the objectives of this research study objectives, a number of secondary research questions are raised complimenting the primary research question. These questions guide the research in achieving the objectives of the research and in formulating a response to the primary research question. The Secondary research questions are:

1. To what extent does price influence the purchasing behavior of automobile consumers?
2. What impact do price changes have on the brand equity of Toyota in terms of brand awareness, brand association, brand loyalty, and perceived quality?
3. Would effective price management improve or sustain Toyota's competitive edge in Saudi Arabia's automobile market?

1.6 Significance of the Study

This research study is important as it will contribute to new ideas contained in the existing literature and expand on current theories and empirical studies. The research findings presented in this study will also be useful to scholars and business people who are continuously searching for new ideas with regards to the significance of price changes in the brand equity of Toyota in Saudi Arabia.

The research study's conclusion will be founded on an analysis of how price changes affect consumer behavior relative to the Toyota brand. For this reason, this study will provide useful and strategic information for the Toyota company.

1.7 Rationale for Selecting the Research Topic

With roughly 40% market share, Toyota is the leading and dominant automotive brand in Saudi Arabia. In 2009, Toyota had to recall more than 8.5 million units around the world. Even though Toyota confronted one of its most challenging periods back in late 2009, its market position in Saudi Arabia remained stable. In fact, the market shares of Toyota in the Saudi Arabian market accounted for more than 70% of the Toyota Camry's global market (Business Monitor Report, 2010, p. 55).

A majority of Saudi Arabian households can afford to purchase a new car. This partly explains why the demand for new automobiles is continuously increasing in Saudi Arabia as evidenced by persistent automobile sales' increases. Aside from the low gas prices, low costs of car insurance, and low maintenance costs, pricing is considered one of the major factors that can affect consumers' purchasing behavior (Saudi Arabia Automotive Report, 2011, p. 11). (See Table I – Projected Demand for Automobile in Saudi Arabia below)

Table I – Projected Demand for Automobile in Saudi Arabia

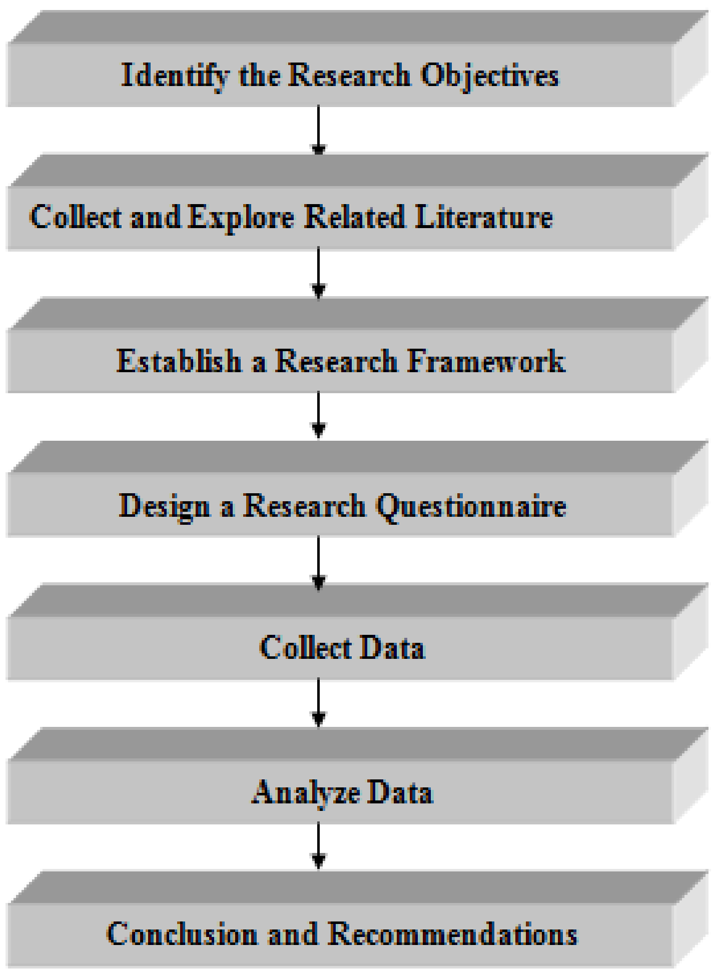
Saudi Arabia Automotive Sales (Units)	2009	2010	2011	2012 (f)	2013 (f)	2014(f)
Total Sales	595,586	619,220	652,769	714,870	768,502	816,291
Passenger car Sales	479,187	469,948	522,153	568,813	609,110	645,016
Commercial Vehicle Sales	116,398	122,275	130,616	146,057	159,392	171,274
Car ownership of the population (%)	88	88.3	88.35	89.3	89.97	90.55

Source: Business Monitor Report, 2010, p. 19

Pricing as a marketing factor raises a lot of questions particularly with regards to whether or not price changes could affect the purchase decisions of consumers in Saudi Arabia. Taking into account the fact that some consumers are price-conscious, it is necessary to determine whether Toyota's target consumers would easily switch to other automotive brands in the event Toyota decided to increase its prices or implement changes in its pricing models.

1.8 Research Procedure

Throughout the conduct of this study, the researcher will make use of the study procedure presented below as a guide:



1.9 Scope and Limitations

To give the readers a better understanding as to why Toyota's management should take time to analyze the impact of price changes on brand equity, chapter 2 of this study will purposely discuss the business advantages associated with establishing strong brand equity. By exploring what other researchers have noted about the impact of branding over a company's ability to capture the biggest market share within the same industry, I will be able to provide more insights on how Toyota should come up with more effective marketing strategies.

Perceived quality, brand loyalty, brand awareness and brand associations are the common dimensions of brand equity and the use of marketing mix (4Ps) which includes advertising, product quality, store image, and price can affect how consumers would perceive the common dimensions of brand equity (i.e. brand awareness, brand loyalty, perceived quality, and brand associations) (Buil et al., 2011; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000). However, this study will focus on exploring only the significance of pricing on maintaining strong brand equity. For this reason, the scope of this study is limited in terms of analyzing the significance of price changes on Toyota's brand equity (i.e. brand loyalty, brand awareness, perceived quality of the brand, and brand association).

Toyota is selling durable products. Since this study will focus on examining the case of the Toyota brand, the research findings presented in this study may not be applicable in the case of other automobile brands. Furthermore, this study will focus on gathering the point-of-views of consumers in Saudi Arabia. Due to external factors such as the differences in the market price of gasoline or the differences in the number of companies within the automobile industry, the research findings presented in this study may not be applicable in the case of other countries.

1.10 Chapter Summary

Chapter 1 – Introduction

This chapter provides a clear description with regards to the research background, problem statement, aims or purpose of the study, research objectives, research questions, significance of the study, rationale for choosing the research topic, research procedure, scope and limitations, and chapter summary.

Chapter 2 – Literature Review

The chapter examines the available research studies pertaining to the significance of pricing to the development of brand equity and consumer responses to pricing in this regard. To give the readers a better understanding of the research topic and for ease of reference, the structure of the literature review was divided into several sections.

The first part of the literature discusses the importance of establishing strong brand equity. Eventually, the researcher will seek to explore the significance of pricing to the development of brand equity and customer response. Based on the research objectives presented in Chapter 1 and the gathered literature review as presented in Chapter 2, the researcher will introduce a new conceptual framework for this study.

To discuss theories related to marketing, this chapter conducted an investigation using a wide-range of academic resources. To effectively integrate marketing theories in relation to the research objectives, this chapter will be divided into three major sections which discuss the importance of establishing strong brand equity, the significance of pricing to the development of brand equity, and the significance of pricing on consumer behavior.

Before discussing the importance of establishing strong brand equity, this section will first provide a conceptual framework by defining and discussing the basic information on brand equity. By defining brand equity, the researcher can help readers gain a better understanding of how and why Toyota should establish a strong brand. Based on the conceptual framework presented on page 15, a set of research hypotheses were presented in detail. Basically, the research presented in this chapter will serve as an overview with regards to the intended primary research study which will be tackled thoroughly in documents 3 and 4.

The main purpose of this study is "to examine the impact of price changes on the brand equity of Toyota in Saudi Arabia". For this reason, the second section of this chapter will discuss the significance of pricing to the development of brand equity. To help readers gain a better insight into the movements in prices, this section will first discuss the importance of effective pricing strategy prior to relating the effects of price movements in the development of brand equity.

In order to achieve the main purpose of this study, the next section will discuss the significance of price changes on consumer behavior. Based on the past and current available studies, this section will explore all possibilities of how consumers are expected to react to a sudden increase and decrease of market prices of certain products and services.

2.1 Conceptual Framework and Research Hypotheses

2.1.1 Conceptual Framework

Brand equity is a set of intangible brand assets and liabilities that are closely related to a brand (i.e. name and symbol) (Aaker, 1991, p. 15). Depending on the prestige of brand equity, people can either increase or decrease the brand value of a product or service. According to Yoo, Donthu and Lee (2000), brand equity is a multidimensional concept in the sense that it includes issues related to brand loyalty, brand associations, brand awareness, and perceived quality of the brand. For example the brand Toyota communicates certain historical facts and expectations to consumers. Depending on consumer experiences with Toyota, consumers will either have a connection with the brand that resonates in loyalty and perceptions of quality. Even where consumers may not have experiences with Toyota, they will nonetheless be aware of its quality, reputation and appeal.

In this regard, Farquhar (1990) explained that brand equity can be measured based on positive or negative evaluation of consumers. In other words, the process of continuously observing the attitude and behavior of consumers toward a brand is one of the best ways to determine whether or not the marketing strategy used by a company is effective in terms of establishing strong brand equity (Keller, 1993; Farquhar, 1990).

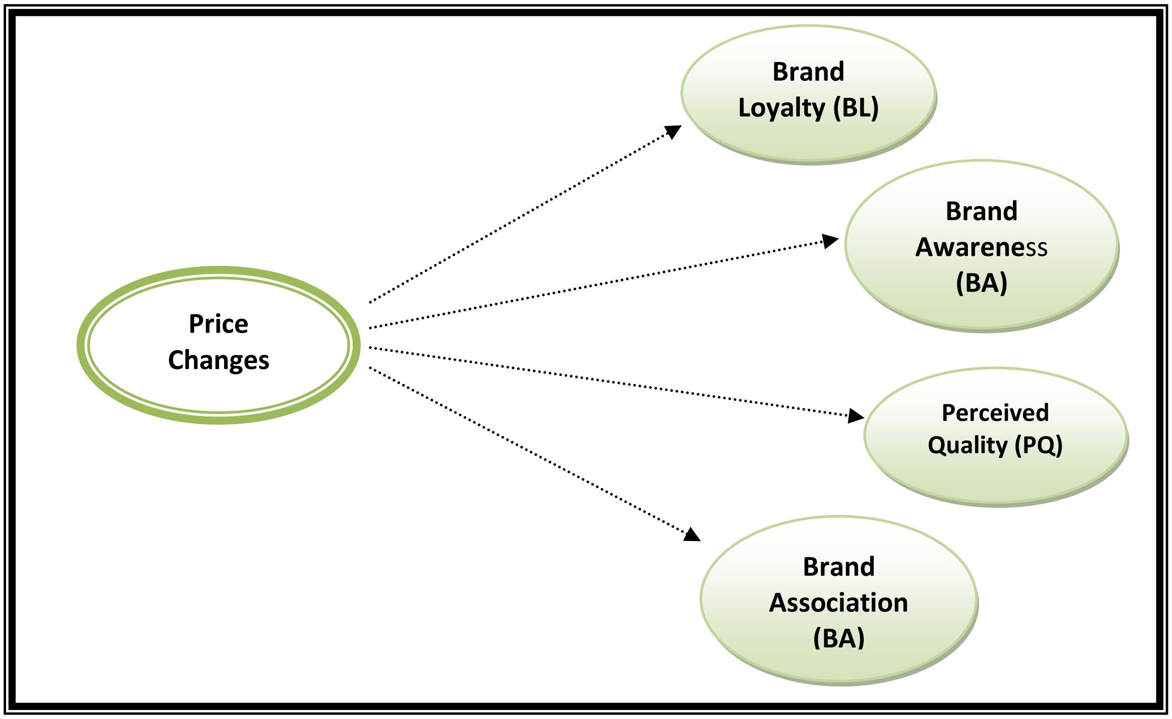
The consumer-based brand equity can develop out of a obtaining a more favorable consumer response to the company's marketing efforts (Keller, 1993). Highly dependent on the consumers' familiarity, brand awareness, and ability to associate with the brand (Keller and Lehmann, 2003), Leone et al. (2006, p. 126) argue that "the power of brand lies in the minds of consumers". Therefore, the process of measuring brand equity is highly dependent on how consumers would respond to a brand (Nigam, 2012). It therefore follows that much depends on how and what a brand communicates to and how it connects with consumers. In other words, marketing managers must be cautious about what marketing strategies they employ as it can communicate something of substance about their brand to consumers. For example price changes in terms of frequent discounts or frequent increases might inform consumers that the quality of the brand product is either improving or declining.

This study will adapt and modify the conceptual framework presented by Villarejo-Ramos and Sanchez-Franco (2005) and Yoo, Donthu and Lee (2000). Basically, Villarejo-Ramos and Sanchez-Franco (2005) examined the impact of marketing communication and price promotion on brand equity by using a structural equation model to verify the link between marketing communication techniques and different dimensions of brand equity such as brand awareness combined with brand association, brand loyalty, and perceived quality. On the other hand, Yoo, Donthu and Lee (2000) examined the possible link between the elements of the marketing mix (i.e. advertising, distribution, price, and store image) and several dimensions of brand equity such as brand awareness combined with brand association, brand loyalty, and perceived quality.

The main purpose of this study is to examine the impact of price changes on the brand equity of Toyota in Saudi Arabia. For this reason, this study will focus on analyzing how changes in price or increase and decrease in the market price of Toyota vehicles would affect consumers' brand awareness, brand association, brand loyalty, and perceived quality.

Instead of taking into consideration the impact of advertising spending on brand equity as proposed in the study of Villarejo-Ramos and Sanchez-Franco (2005), this concept will purposely be removed from the conceptual framework presented in this study. With regards to the conceptual framework presented by Yoo, Donthu and Lee (2000), other marketing mix variables such as advertising, distribution and store image will be disregarded in this study. (See Figure 1 – Conceptual Framework of This Study)

Figure 1 – Conceptual Framework of This Study



2.1.2 Research Hypotheses for Further Verification

Changes in price can significantly affect the dimensions of brand equity which include brand loyalty, brand awareness, perceived quality, and brand association (Yee and Sidek, 2008; Lau et al., 2006; Uggla, 2004; Keller, 2003; Faircloth, Capella and Alford, 2001; Yoo, Donthu and Lee, 2000; Hutton, 1997; Sethuraman and Cole, 1997; Evans et al., 1996). In line with this, the proposed structural model in this study strongly recognizes that a further increase or decrease in the market price of Toyota vehicles will affect not only existing consumer brand loyalty but also the potential consumers' brand awareness, perceived quality, and brand association.

Several studies strongly suggest that the ability of a company to create a positive perceived quality and brand association through brand awareness can influence consumers to become more loyal to the brand (Ghorban, 2012; Pappu, Quester and Cooksey, 2006; Aaker, Fournier and Brasel, 2004). To determine the effect of price changes on the decision of consumers in Saudi Arabia (when acquiring Toyota vehicles), the following research hypotheses were assumed in this study:

H1: *a significant increase in the market price of Toyota vehicles will influence targeted consumers to become more loyal to the brand*. (Parameter $\gamma 1$);

H2: *a significant decrease in the market price of Toyota vehicles will influence targeted consumers to become more loyal to the brand*. (Parameter $\gamma 2$);

Brand loyalty is characterized by habitual, repeated or continuous purchasing behavior (Oliver, 2010, p. 434; Yee and Sidek, 2008). Brand loyalty is typically created through customer satisfaction with the use of a product or services (Aaker, 1991).

In most cases, non-loyal consumers are less likely to buy low price products from unknown brands (Indrayani, Siringoringo and Saptariani, 2008). In fact, offering a very low market price or a continuous price promotion can also adversely affect consumers' loyalty to a brand (Valette-Florence, Guizani and Merunka, 2009; Erdem and Keane, 2008; Indrayani, Siringoringo and Saptariani, 2008; Jensen and Drozdenko, 2008; Kocas and Bohlmann, 2008; Siringoringo and Saptariani, 2008; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000).

Since price is one factor that can affect consumers' purchasing decision (Zeithaml, 1988), the first (1^{st}) hypotheses was created to determine consumer responses with regards to the impact of increasing the market price of Toyota vehicles on brand loyalty. Applicable to this study, the second (2^{nd}) hypothesis will serve as a counter-check on the research survey respondents' participate in relative to the first (1^{st}) hypothesis.

H3: *a significant increase in the market price of Toyota vehicles will increase the target consumers' brand awareness*. (Parameter $\gamma3$);

H4: *a significant decrease in the market price of Toyota vehicles will increase the target consumers' brand awareness*. (Parameter $\gamma4$);

Under different conditions, brand awareness is about how well a consumer identifies the brand (Keller, 2003, p. 76). Through brand awareness, consumers will be able to recognize a brand which can be used as a cue in recalling a brand.

Yoo, Donthu and Lee (2000) revealed that excessive use of price promotion is not good in terms of the increasing consumers' brand awareness. Essentially, what this means is that each time an unknown brand offers price promotion, the company is unconsciously making its brand equity decline further. Similar to the research findings of Yoo, Donthu and Lee (2000), Villarejo-Ramos and Sanchez-Franco (2005) revealed that the use of heavy price promotion can lead to the development of negative brand awareness.

Considering the relationship between price changes and brand awareness, the third (3^{rd}) hypothesis was designed to determine consumer response with regards to the impact of increasing the market price of Toyota vehicles on brand awareness. Applicable to this study, the fourth (4^{th}) hypothesis will serve as a counter-check on the research survey of respondents' responses relative to the third (3^{rd}) hypothesis.

H5: *a significant increase in the market price of Toyota vehicles will increase the target consumers' perceived quality of the brand*. (Parameter $\gamma5$);

H6: *a significant decrease in the market price of Toyota vehicles will increase the target consumers' perceived quality of the brand*. (Parameter $\gamma6$);

Perceived brand quality refers to consumers' judgment with regards to the superiority offered by the brand (Aaker and Jacobson, 1994; Aaker, 1991; Zeithaml, 1988, pp. 3 – 4). In this regard, Anselmsson, Johansson and Persson (2007) explained that the ability of a company to produce outstanding product and service quality will not always add up to the value of the company's brand equity since each person has their unique way of judging a brand.

In general, a high perceived quality is important because perceptions can affect the willingness of consumers to pay a premium price for a given brand (Hutton, 1997; Sethuraman and Cole, 1997). For this reason, the fifth (5^{th}) hypothesis will seek to determine consumer responses as to whether or not a significant increase in the market price of Toyota vehicles will increase the target customers' perceived quality of the brand. The sixth (6^{th}) hypothesis will serve as a counter-check on the research survey respondents' response to the fifth (5^{th}) hypothesis.

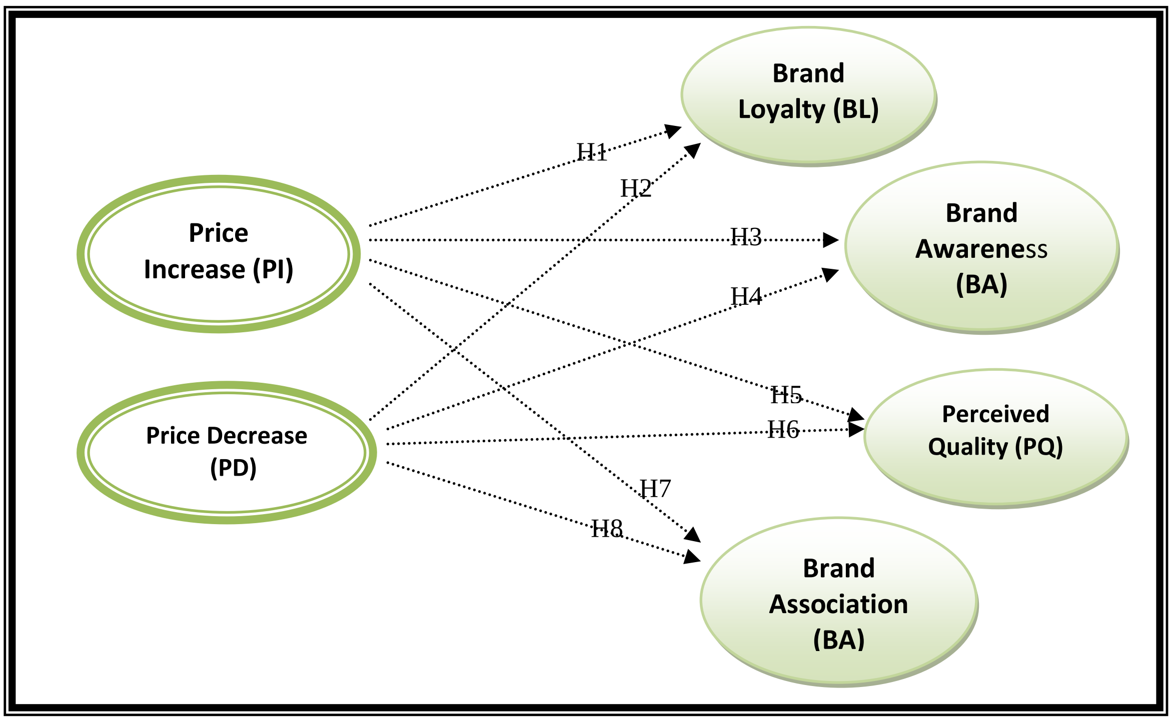
H7: *a significant increase in the market price of Toyota vehicles will increase the target consumers' association with the brand*. (Parameter $\gamma 7$); and

H8: *a significant decrease in the market price of Toyota vehicles will increase the target consumers' association with the brand*. (Parameter $\gamma 8$).

According to Aaker (1991, p. 109), brand association is "anything linked in memory to a brand". Through positive brand association, consumers may end up recommending a particular brand to their friends and acquaintances (del Rio, Vazquez and Iglesias, 2001).

Several authors explained that brand associations can positively affect consumers' brand preferences, intention to buy, and willingness to pay higher price on branded goods and services (Yoo, Donthu and Lee, 2000; Agarwal and Rao, 1996; Park and Srinivasan, 1994). Therefore, the seventh (7^{th}) hypothesis was created to determine consumer responses as to whether or not a significant increase in the market price of Toyota vehicles will increase the target consumers' association with the brand. The seventh (7th) hypothesis will serve as a counter-check on the research survey respondents' response to the sixth (6th) hypothesis. (See Figure 2 – Summary of the Research Hypotheses below)

Figure 2 – Summary of the Research Hypotheses



2.2 Importance of Establishing Strong Brand Equity

One of the main reasons why companies attempt to establish strong brand equity is to attract more customers to purchase the products and services they are selling in the market (Yaseen, Tahira and Gulzar et al., 2011). Other benefits linked to establishing strong brand equity include: increasing the company's profit margin, having a brand that is distinctive as compared to other brands, increasing the efficiency and effectiveness of a company's marketing strategy, help the company build brand loyalty, and gaining leverage over its close competitors

(Bagozzi, Rosa and Celly et al., 1998, p. 320). Thus brand equity is entirely important to Toyota in the automobile market in Saudi Arabia where the competition is decidedly fierce. Obviously, Toyota wants to manage pricing in a way that does not negatively influence its brand equity and at the same time it wants to ensure that its prices are competitive.

Establishing strong brand equity will also create a differential effect with regards to a company's brand awareness and brand association (Keller, 1998, 1993). What this means is that brand equity can affect the consumers' response not only in terms of perception of brand and product quality, but also in relation to purchase behavior, and choice of brand (del Rio, Vazquez and Iglesias, 2001). For example, Cobb-Walgren, Ruble and Donthu (1995) conducted a study using two sets of brands and each set of brands were attached to similar products but each product invested different sums of money and efforts into advertising. In both sets of products, it was discovered that the brand with substantially more invested in advertising had significantly more brand equity. The brand with higher brand equity was linked to higher levels of consumer preferences and purchasing behavior and intentions (Cobb-Walgren, 1995). In other words, companies can distinguish themselves in the minds of consumers by advertising their brands as a means of raising brand awareness and influencing perceptions and increasing or maintaining brand equity. Therefore, once a company makes the decision to improve or maintain brand equity any decision relative to pricing must take in account how pricing will affect brand equity.

With regards to business expansion, brand equity makes it easier for any business organization to penetrate an entirely new local or foreign market (Jain, 2003, p. 282). This means that having a strong brand equity opens up entirely new marketing opportunities for a company. For instance, the brand of a mother company can take advantage of brand extension when selling an entirely new product line in the market (Kepferer, 2012, p. 512).

According to Masterman and Wood (2006, p. 237), the use of sponsorship is equally effective in terms of creating brand awareness among a new group of target markets. This means that it is possible for marketing managers to extend the brand equity of a company into a comparable but entirely new market. This is possible through the use of a sponsorship strategy. There are several reasons why a company with strong brand equity is able to maintain its sales and profitability despite the presence of an economic recession. By closely associating a new brand extension to the main brand, the company will be able to sell new product lines much easier (Kepferer, 2012, p. 512).

Steinhardt (2007) explained that the use of co-branding or the process of associating a product's brand equity with another strong brand is one of the most effective marketing strategies that can avoid product decline [cited in Lees-Marshment, 2009, p. 111]. Aside from allowing the company to charge premium prices for its branded products and services, the use of a co-branding strategy and having a strong brand equity are both useful in terms of preventing a product category from entering the decline stage in the product-life cycle.

An effective advertising strategy is the best way to increase consumers' brand awareness (Ghorban, 2012; Chu and Keh, 2006). In fact, the use of effective advertisement strategies will increase consumers' ability to recall and recognize a corporate brand (Buil et al., 2011, p. 3; Srinivasan, Vanhuele and Pauwels, 2010; Ailawadi, Lehmann and Neslin, 2003). Since strong brand equity will assist consumers in their purchasing decisions, large-scale companies are continuously spending large sums of money on heavy advertisement campaigns (Yaseen et al., 2011; Wang, Zhang and Ouyang, 2009).

Brand equity is an important asset on the part of most business organizations in the sense that a significant decrease in the brand equity could affect the company's ability to sell its stocks in the stock market (Kerin and Sethuraman, 1998, pp. 260 – 261). According to Keller (2007, pp. 54 – 70), the ability of a company to create positive consumer behavior can encourage buyers to pay more and be more active in purchasing the company's products and services on a regular basis. On the other hand, Ghorban (2012) argues that brand name serves as a valuable company asset that enables the consumer to differentiate the company's product and services from other homogenous products.

Several studies strongly suggest that the ability of a company to create a positive perceived quality and brand association through brand awareness can influence consumers becoming more loyal to the brand (Ghorban, 2012; Pappu, Quester and Cooksey, 2006; Aaker, Fournier and Brasel, 2004). For example, Richardson, Dick and Jain, (1994) conducted a study assessing the significance of extrinsic and intrinsic cues and their respective impact on the brand quality of store items. The study involved 1564 consumers and five brand products. The results of the study revealed that consumers are more drawn to brands with extrinsic cues more often than brands with intrinsic cues (Richardson, et. al., 1994). Since price and brand image are both extrinsic cues, price management and brand image management are important factors that Toyota must take into account with respect to distinguishing its products on the automobile market in Saudi Arabia. Since brand enables consumers to distinguish the company's product and services from other homogenous products that are being sold by other similar companies, most marketing managers are facing challenges on how they will be able to create and increase the value of a brand.

Aside from observing consumer behavior towards a brand, other ways on how to measure brand equity is by examining the financial standing of the company in the market (Mahajan, Rao and Srivastava, 1994). Firms also need to be aware of how strategic marketing and production techniques can influence consumer behavior toward a brand. For example, during the 1960 and the 1970s, Schlitz beer had a strong beer brand backed by a popular "gusto campaign" (Aaker, 1992, p. 27). However, the company in an attempt to cut costs switched to fermentation processes that only took 4 days as opposed to 12 days. In addition, corn syrup replaced barley malt. The resulting beer was "flat and clouding" after it sat on shelves for a while and Schlitz became known as a "green beer with cheap ingredients" (Aaker, 1992, p. 27). For this reason, marketing managers should not only pay close attention to consumer behavior when introducing a new product in the market but also monitor the ability of the company to capture a higher market shares right after introducing a new product in the market.

2.2.1 Brand Loyalty

Jenkinsin (1995, p. 116) reported that loyalty is "the reflection of a customer's subconscious emotional and psychological need to find a constant source of value, satisfaction and identity". Based on Jenkinsin's (1994) definition of loyalty, brand loyalty can be regarded as an unconscious profound emotion on the part of the consumer. Consumers are continuously searching for value for money and overall product and service satisfaction. If a brand has been constant and reliable in serving the needs and wants of its target consumers, it is more likely that consumers can develop long-term trust and loyalty to the brand.

Brand loyalty is associated with the favorability or strength of a brand created by the consumer's satisfied experience of use and purchase (Aaker, 1991). As a sign of consumer satisfaction or a strong positive attitude towards a brand, brand loyalty can be represented by habitual, repeated or continuous purchasing behavior (Oliver, 2010, p. 434; Yee and Sidek, 2008). In relation to consumer satisfaction, brand loyalty can be measured by carefully observing the rate of consumers' repurchase, the entire value or percentage of purchase, and the number of brand purchase (Oliver, 2010, p. 434; Banasiewicz, 2007, pp. 211 – 212; Gregory and Wiechmann, 1999, p. 52; Ehrenberg, 1991). It is also possible to measure brand loyalty through price sensitivity (Yee and Sidek, 2008).

The long-term brand loyalty contributes to higher brand equity. In line with this, Dick and Basu (1994) explained that brand loyalty is the bond that holds the consumer's commitment to repeatedly buying the same brand. In fact, the more the public consumers are satisfied with a brand, the more they will trust the brand (Delgado-Ballester and Mumuera-Alemán, 2005). Eventually, when consumers are able to trust the brand, the more loyal the public consumers will become.

There are quite a lot of benefits associated with being able to establish brand loyalty. First of all, consumers who are loyal to a brand might be willing to go out of their way to advocate for the brand (Bean, 2007). When this happens, the company can save more money out of investing on traditional advertisements. Although it is possible to encourage consumers to remain loyal to a brand, Cooil, Keiningham and Aksoy et al. (2007) explained that not all consumers who are loyal to a brand (monogamy loyalty) will refuse patronizing the products and services offered by another brand. Since the presence of product substitution widens consumers' choices, a company's existing customers will always have the option to practice "polygamy loyalty" (Cooil et al., 2007).

Brand substitution can be defined as "the niche-breadth of one brand overlapping too much with that of one or more category competitors" (Albarran, Chan-Olmsted, and Wirth, 2006, p. 245). This means that today, there are several brands co-existing in the market which offer the same or almost the same quality of products. Because of the presence of too many co-existing brands in the local market, consumers have exhaustive opportunities to switch from one brand to another even without the knowledge or control of a company (Indrayani, Siringoringo and Saptariani, 2008; Jing and Wen, 2008; Kocas and Bohlmann, 2008; Anderson and Kumar, 2007). For this reason, Shimp (2010, p. 451) cautions that the public consumers now-a-days are becoming less loyal to a brand.

A satisfied customer may not necessarily remain loyal to a brand. In this regard, Frederick Reicheld explained in one of his articles published in the Harvard Business Review (March/April, 1993) that "customer satisfaction is not a surrogate for loyalty" since after examining consumer behavior within the automobile industry, it was noted that customer satisfaction can be as high as 80% whereas the repurchase rate scores only 40% [cited in Gregory and Wiechmann, 1999, p. 52].

Even though consumers now-a-days are becoming less loyal to a brand (Shimp, 2010, p. 451), Anderson and Kumar (2007) revealed that it is still possible for companies to make use of effective marketing strategies to convert the price-sensitive customers into a loyal customer. In most cases, converting the price-sensitive customers into a loyal customer can be done by creating and implementing brand extension strategies (Kepferer, 2012, p. 512; Anderson and Kumar, 2007). Using brand extension strategies, the company will be able to serve the specific needs and wants of the price-sensitive customers without having the need to alter the product quality and features or more expensive products (Kepferer, 2012, p. 512; Zhou and Belk, 2004; Hutton, 1997; Cobb-Walgren, Ruble and Donthu, 1995; Pitta and Katsanis, 1995).

To capture the different needs and wants of consumers in Saudi Arabia, Toyota managed to design and introduce several car models under different brand extensions (i.e. Yaris HB, Yaris Sedan, Corolla, Camry, Aurion, Avalon, and 86) (Toyota, 2012a). Toyota also managed to design and introduce several SUV's and Van models under different brand extensions (i.e. Rav4, Fortuner, FJ Cruiser, Prado, Land Cruiser, Sequoia, Innova, and Previa) (Toyota, 2012a). Under each brand extension, Toyota managed to publicly introduce several product line extensions that aim to suite the specific needs and wants of their target customers.

Pride and Ferrell (2010, p. 306) defined product line extension as "the development of a product that is closely related to one or more products in the existing product line but designed specifically to meet somewhat different customer needs". By modifying Toyota's existing car models, the company is able to create new products that can be categorized under a different product line. For instance, under the product line extension "Yaris Sedan '12", Toyota is selling at least four (4) different product categories known as Manual SR.47350, Automatic SR.51350, Manual SR.51350, and Automatic SR.55350 (Toyota, 2012b). Basically, these four (4) product categories differ in terms of the driving performance & suspension, safety features, power package, entertainment system, utility and comfort, and exterior and interior features (Toyota, 2012c).

Brand loyalty can benefit the company in so many ways. By having a group of loyal consumers, a company will have the opportunity to reduce the actual cost of marketing intervention (i.e. heavy online or traditional advertisements). Because of brand loyalty, the local companies will be able to leverage trading within the domestic market. In general, consumers who are loyal to a brand can play a significant role in bringing in new customers to the company (Yee and Sidek, 2008; Reichheld and Sasser, 1990). Since loyal consumers are more likely to influence other people to purchase the same product, the concept of brand loyalty will somehow indirectly attract new customers or create more brand awareness on the part of the company's target consumers (Aaker, 1991, pp. 46 – 49). Despite the short-term price differential, Nicholson and Snyder (2010, p. 121) mentioned that brand loyalty can also help the local business organizations to reduce the risk of brand substitution among its existing group of loyal customers.

To build brand loyalty, the company should first encourage its target customers to try using their product (Jones, Jones and Jones, 2002). Other factors that can contribute to the development of brand loyalty includes: brand name, price, product quality, promotion, service quality, style, and store environment (Lau et al., 2006). In most cases, brand name has a strong impact on the development of brand loyalty. In line with this, Keller (2003) explained that by having a well-known brand, the public consumers can easily recall what they hear or see from an advertisement. This explains why stronger and more stable companies are able to maintain high levels of brand loyalty among the public consumers as compared to weaker and less stable companies. Since consumers are more likely to trust the brand they are familiar with, having a well-known brand becomes more saleable as compared to the unknown brands (Yee and Sidek, 2008). In fact, it is the company's brand name and brand image that can influence consumers to become more attracted to purchasing the brand. Eventually, this practice can lead to a repeated purchase (Yee and Sidek, 2008; Keller, 2003; Cadogan and Foster, 2000).

Price is also one aspect that can promote brand loyalty. In reality, there are people who may base the quality and value of a product by comparing a brand's price with another brand (Keller, 2003; Evans et al., 1996). By paying a premium price for a brand, consumers may feel satisfied knowing that they have purchased one of the best products available in the market. Provided that the consumers would perceive the value of a product higher than its market price, there is a higher chance wherein that person would purchase the same product in the future (Yee and Sidek, 2008; Hutton, 1997).

Given that consumers were able to develop a positive attitude towards that brand, the development of brand loyalty is possible. To increase customers' loyalty to the brand, Chevron and Glowatz (2002, para. 11) strongly suggest that the company should always be honest to their target customers as this aspect will contribute to the increase in the brand value and long-term trust. Eventually, the long-term trust and brand loyalty will enable the company to impose a premium price on their products and services (Chevron and Glowatz, 2002; Hutton, 1997).

A study was conducted by Chaudhuri and Holbrook (2001) in which brand loyalty was tested for consumer purchase and attitudinal loyalty as linked to and contributive to brand trust and effect and brand performance in terms of market share and pricing. Data was compiled for 107 brands and three consumer surveys and brand manager surveys. The results of the study indicate that "brand trust and brand affect combine to determine purchase loyalty and attitudinal loyalty" (Chaudhuri & Holbrook, 2001, p. 81). The study also found that purchase loyalty is conducive to improved market share, and attitudinal loyalty is linked to "higher relative price for the brand" (Chaudhuri & Holbrook, 2001, p 81).

2.2.2 Brand Awareness

Brand awareness is one of the aspects that are classified under brand equity (Aaker, 1996). Through the use of effective advertising technique, companies are able to create brand awareness among the public consumers. Brand awareness can attract consumers towards a brand (Yaseen, Tahira and Gulzar et al., 2011). This will eventually make a brand in better position as compared to other similar brands in the market. For this reason, Romaniuk, Sharp and Paech et al. (2004) explained that brand awareness is a basis for determining whether or not a marketing strategy is effective.

Keller (2003, p. 76) defined brand awareness as how well a customer identifies the brand under different conditions. Brand awareness is the primary step toward establishing a strong brand (Rossiter, Percy and Donovan, 1991). Brand awareness serves as a cue in recalling a brand and that the use of effective advertising or marketing communications strategy will increase consumers' ability to recognize a brand (O'Guinn, Allen and Semenik, 2012, p. 38; Batra, Myers and Aaker, 2009, p. 138).

There is a strong link between the use of effective advertising and increased consumer brand awareness (Hoyer and Maclnnis, 2010, p. 22; Clark, Doraszelski and Draganska, 2009; Macdonald and Sharp, 2003). In fact, Macdonald and Sharp (2003) explained that it is possible for marketing managers to measure the effectiveness of their advertising strategies by measuring the consumers' brand awareness. This means that through the use of effective advertising or marketing communications strategy, the marketing managers can increase the public consumers' brand awareness.

For example, Toyota in Saudi Arabia is using its official website to communicate a wide-range of products and services to its target consumers (Toyota, 2012a). Aside from heavily depending on the use of its official website, Toyota in Saudi Arabia is also communicating its products and services using other on-line media such as posting attractive videos on You Tube (Toyota Saudi Arabia on You Tube, 2012). Through the use of videos, the company is able to effectively present the efficiency of Toyota engines. It can also publicly introduce and convince the public consumers about a long list of product benefits that the company is offering to the public. Other online advertising channels that Toyota is currently using include social networking sites like Facebook and Twitter (Facebook, 2012; Twitter, 2012). Using these marketing communication strategies, Toyota in Saudi Arabia can easily benefit from the viral marketing offered by the use of information technology. These online advertising strategies help the company create higher brand awareness among its target customers.

Specifically the depth (the ease of recall and brand recognition) and breadth (number of purchase and consumption situations) of recall is crucial in brand awareness. Without the presence of outside forces, effective brand awareness should improve consumers' ability to recognize, recall, and identify a given brand under a specific product category (Nigam, 2012; Aaker, 1991, pp. 61 – 62). Therefore, by creating brand awareness, companies can be assured that consumers would know the specific product category that the brand is competing (Keller and Davey, 2001).

One of the main reasons why most marketing managers are concerned with being able to establish brand awareness is to be able to control the purchasing decisions and behaviors of consumers (Yaseen et al., 2011; Macdonald and Sharp, 2000; Grewal, Monroe and Krishnan, 1998; Keller, 1993). In most cases, it is unlikely for customers to purchase a brand that they are not familiar with (Jensen and Drozdenko, 2008). This means that consumers are most likely to purchase brand that they know (Pae, Samiee and Tai., 2002). Therefore, by introducing a brand to consumers, the company's long-term profitability and sales performance would definitely increase as a result of brand awareness (Yaseen et al., 2011).

According to Pae, Samiee and Tai (2002), there is a link between consumers' decision to purchase and brand credibility is highly dependent on the degree of brand image and brand awareness. Likewise, Erdem and Swait (2004) also acknowledge the impact of brand image and brand awareness on consumers' choice of brand. In relation to the consumers' ability to recall a brand, brand awareness is highly connected with brand associations in the sense that people can easily generate more information about the quality of the products (Wan, 2006; Pitta and Katsamis, 1995).

In reality, the process of creating brand awareness among consumers is important because a brand can serve as a basis in helping consumers and retailers judge the quality of products and services offered by its manufacturer (Turley and Moore, 1995). Furthermore, a positive brand image is strongly associated with brand awareness in the sense that people can easily identify themselves and recall brands with eye-catching image (Davis, Golicic and Marquardt, 2008; Keller, 2003).

2.2.3 Brand Association

Brand association pertains to "anything linked in memory to a brand" (Aaker, 1991, p. 109). Keller (2008) explained that brand association enables consumers to reflect on the product benefits of a brand. On the contrary, Aaker (1991) revealed that brand association links not only the brand assets but also the brand liabilities in the minds of consumers [cited in Low and Lamb, 2000, p. 351]. For this reason, marketing managers should see to it that they can implement effective marketing strategies that will make consumers feel more associated with a brand.

There is a strong link between the use of effective advertising and increased consumer brand association in the sense that the process of increasing the consumer's familiarity with a brand (i.e. through the use of effective advertising strategies) will help increase the chance wherein consumers will be able to associate themselves with a brand (Low and Lamb, 2000). Specifically the research findings of Clayton and Heo (2011) are contradictory to the research findings of Low and Lamb (2000). Applicable to non-durable goods category (i.e. fast-moving items like home cleaning products, cigarettes, office supplies, etc.), Clayton and Heo (2011) found that excessive use of promotional-based advertising can lead to lower levels of brand attitude, brand image, and perceived quality.

Clayton and Heo's (2011) study involved conceptualizing brand associations as brand image, brand attitudes and consumer perceptions of quality. Using 2X2 factorial design together with cognitive engagement and advertisement communications as experimental elements. The results of the study found that promotions type messages can harm the three brand associations (Clayton & Heo, 2011). Low and Lamb (2000) conducted a similar study in which over 500 undergraduates were used by exposure to certain brand products and they were then required to record their impressions. The results of the study found that brand associations were impacted by familiarity with the brand (Low & Lamb, 2000). Thus Low and Lamb appear to support greater advertisement as a means of increasing brand associations while Clayton & Heo are generally opposed to too much advertisements.

Several authors explained that brand associations can positively affect consumers' brand preferences, intention to buy, and willingness to spend higher price on branded goods and services (Yoo, Donthu and Lee, 2000; Agarwal and Rao, 1996; Park and Srinivasan, 1994). Del Rio, Vazquez and Iglesia (2001) conducted a study testing the hypothesis that brand value from the perception of consumers has a positive impact on the consumer's preparedness to recommend brands, pay premium prices for brands and take to brand extensions. The hypothesis was tested in the shoe market in Spain with respect to six brands and shoes were chosen because they were highly visible in public when used by a consumer and were not the type of product that could be effectively tested for durability as only extended use could prove durability. 400 consumers who had purchased shoes over the previous two years participated in the study and they were interviewed following which they participated in brand assessment questionnaires. The results of the study confirmed the hypothesis for the most part (Del Rio, Vazquez & Iglesia, 2001).

It is therefore becoming more obvious that building brand equity and brand reputation is very important to maintaining a market position or developing a stronger market position and that price management is very important to brand equity and brand reputation. If management improperly manipulates pricing and the measures that might have to be taken to accommodate pricing changes, this strategy can devalue the brand. The example provided by Aaker (1992) demonstrates that Schlitz beer took steps to lower its cost and obviously this would have been reflected in its pricing which ultimately lowered the quality of the beer and thus its brand equity took a hit.

In some cases, a positive brand association will also influence consumers to readily accept products and services through the use of a brand extension (Kepferer, 2012, p. 512; Zhou and Belk, 2004; Hutton, 1997; Cobb-Walgren, Ruble and Donthu, 1995; Pitta and Katsanis, 1995). Therefore, through a positive brand association, consumers may end up recommending a particular brand to their friends and acquaintances (del Rio, Vazquez and Iglesias, 2001).

To assist consumers in making important purchasing decision, Aaker (1991, pp. 109 – 113) explained that consumers have the option to make use of brand association to enable them to "process, organize, and retrieve information" in their minds [cited in Low and Lamb, 2000, p. 351]. Given that consumers are able to positively associate themselves with a brand, there is a higher chance wherein consumers will be more than willing to pay a premium price in exchange of a high brand equity (Uggla, 2004; Faircloth, Capella and Alford, 2001; Hutton, 1997).

Kvalbein and Hansen (2012) conducted an interesting experiment in which 95 women between the ages of 20 and 58 participated. The experiment involved the placement of a high quality brand shampoo in a low status store and a low quality shampoo brand in a high status store. The participants were assigned to four groups and they were required to complete a questionnaire after viewing advertisements for the products which were both similarly constructed. The questionnaire asked the respondents what price they would pay for each shampoo brand and what they thought the actual price for the product was. The results of the experiment indicated that not only did the brand status impact the expected price, but it impacted the consumer's willingness to pay a premium price for the brand (Kvalbein & Hansen, 2012).

Nigam (2012, pp. 44 – 45) identified the factors that may influence the public consumers to associate themselves with the brand includes "product attributes, customer benefits, uses, life-styles, product classes, competitors, and countries of origins". In line with this, Keller (1993) presented a conceptual model of brand associations which is consist of brand attributes, brand benefits and brand attitudes. According to Aaker (1991, p. 109), brand association does not only affect consumers' purchase decision but also their long-term brand loyalty. For this reason, Low and Lamb (2000, 351) revealed that marketing managers often make use of brand associations as a way to "differentiate, position, and extend brands to create positive attitudes and feelings toward brands, and to suggest attributes or benefits of purchasing or using a specific brand".

It is possible for a person to become closely associated with a brand provided that the product quality and features offered by the product is closely related to the personality and lifestyle of the person (Dean, 2004). Given that the company is able to design and manufacture products that are based on what its target consumers are looking for, it will be so much easier on the part of the marketing managers to attract and influence its target consumers to become more associated with the brand. Other authors commonly associate brand association with the other three (3) dimensions of brand equity known as the brand attitude, brand image, and perceived quality (Keller, 1993; Aaker, 1996, 1993).

Brand association is more than being able to deliver outstanding product quality. It is basically composed of different brand-related aspects such as the consumer's feelings, ideas, experiences, attitude, perception and beliefs towards a brand (Kotler and Keller, 2006, p. 188). In some cases, brand association is considered as an intangible asset due to the fact that a luxury brand does not only increase the self-esteem of consumers but also serves as an extension of the users' self-image (Zhou and Belk, 2004). This may be more relevant in terms of cars that are highly visible products which can have important implications for the consumer's self-esteem. It therefore follows than in the management of brand equity and brand reputation, an automobile company marketing its product in any market might want to safeguard against pricing strategies that might lower the consumer's perception of brand value and brand association generally.

Chen (2001) classified brand association under two categories known as organizational association and product association. According to Chen (2001), organizational association is pertaining to the companies' ability to produce and deliver its products and services and corporate social responsibility (CSR) in respect to the companies' obligation to the society as a whole. This means that the consumer's ability to associate themselves with a brand is highly dependent on the values of the people who are part of a business organization (Blumenthal and Bergstrom, 2003; Aaker, 1996). On the other hand, product association is pertaining to the functional or tangible characteristics of a product (Chen, 2001; Keller, 1993) or non-functional or intangible and symbolic features of a brand (Chen, 2001; Keller, 1993; Aaker, 1991).

2.2.4 Perceived Brand Quality

In terms of quality and technical issues behind a product and services, perceived brand quality is all about the consumers' judgment with regards to the superiority offered by the brand (Aaker and Jacobson, 1994; Aaker, 1991; Zeithaml, 1988, pp. 3 – 4). According to Boulding, Kalra and Staelin et al. (1993), perceived quality is highly influenced by each person's perception. Since each person has their unique way of judging a brand, Anselmsson, Johansson and Persson (2007) explained that the ability of a company to produce outstanding product and service quality will not always add up to the value of the company's brand equity.

Several previous studies classified perceived quality into two different groups known as the intrinsic physical attributes of a product (i.e. colour, physical appearance, texture, form, etc.) and extrinsic attributes of a product (i.e. brand value, store appearance, price, packaging, etc.) (Steenkamp, 1997; Zeithaml, 1988). According to Anselmsson, Johansson and Persson (2007), it is not easy to generalize the intrinsic or extrinsic attributes of a product because of the availability of various product categories. Since consumers tend to demonstrate bias with regarsd to the quality attributes of unknown brands (Bernue´s, Olaizola and Corcoran, 2003; Acebro´n and Dopico, 2000; Hutton, 1997; Ophius and Van Trijp, 1995), marketing managers should take it as a challenge to gain better understanding with regards to the significance of quality on brand equity.

As one dimension of brand equity, a highly perceived quality is important because this factor can affect the willingness of to pay a premium price for a given brand (Hutton, 1997; Sethuraman and Cole, 1997). In fact, consumers' perceived quality with regards to a company's product and services increases the brand value and purchase decision of the target buyers (Low and Lamb, 2000). Thus pricing can be controversial if brand equity and product quality are not managed properly. For example, in the event a price is too low, consumers may not be willing to purchase a product such as a car for fear that price corresponds with poor quality. On the other hand, if the price is high and the brand equity is such that the product quality is perceived as poor, consumers may not be willing to pay a high price for the product. This is particularly so with respect to a car which is highly visible and requires continued investment in maintenance and upkeep. Thus automobile firms must strike a fair balance between price and quality and this means ensuring that brand equity and price correspond with product quality.

To increase the chances wherein consumers will be able to show high perceived quality of the brand, Nigam (2012) strongly suggest that the company should see to it that the services they offer to their customers is highly reliable and consistent. It is equally important on the part of the company to keep its offices clean and attractive to the eyes of the consumers (Nigam, 2012). All these factors can somehow affect how people would perceive brand quality.

Yap, Tong and Lai (2011) conducted a study in which a questionnaire containing 33 items were distributed among consumers to test their perceptions of prices, quality, trust, social influence and the brand images of select international supermarket brand products. The results of the study found that each of these factors played a role in the consumer's purchase intention, but price was the primary motivating factor for purchase (Yap, et. al., 2011). However, the results of this study may not be applicable to companies building brand images and attempting to distinguish themselves for their competitors in a market where quality is far more important than price. Supermarket brands are tangible goods that are fast moving and have little if any public visibility. These brands are made for quick consumption and are not typically put on public display on an on-going basis. There is no real emotional attachment or value on the part of the consumer. The study does however, add some value in demonstrating the complex nature of pricing and brand equity and brand image. Brand equity is obviously relative in that much depends on the product and the product's intended use.

2.3 Importance of Effective Pricing Strategy

Price is defined as "the amount of money that a buyer pays to obtain a good or a service from the seller" (James, 2009, p. 100). In relation to price, pricing is a complex method that exhibits a unique characteristic that can be determined separately through the analysis of prevailing market strategies (Webster, 1991). Through the use of effective pricing strategy, some companies are able to stabilize their return on investments. This means that in order for companies to maintain their respective market shares, the use of effective pricing techniques is necessary for improving the chances of companies becoming and remaining competitive for a long period of time. Since companies were created for the purpose of profit maximization (Jobber and Hooley, 1987), most companies today are continuously exploring the best way they can make use of different pricing strategies in marketing.

In the field of marketing, managers are being challenged to know their customers on a more personal level. By knowing the specific needs and wants of each customer, the company will be able to gain a competitive advantage by implementing effective marketing strategies (Thompson et al., 1994). Earlier, it was mentioned that the presence of too many brands that sell homogenous products is making consumers become less loyal to a brand (Shimp, 2010, p. 451; Cooil, Keiningham and Aksoy et al., 2007). For this reason, a lot of companies are shifting the focus of their pricing strategy from purely profit-making oriented to a more customer-oriented.

To be able to satisfy the specific needs and wants of consumers, there are some companies that are offering price promotional strategies like discounts through the use of coupons or vouchers. In line with this, Shimp (2010, p. 451) suggests that non-loyal customers are the ones that most competitors can easily capture through the use of excessive price promotion schemes. By offering discount prices, a large group of price-conscious individuals may end up switching from one brand to another (Yee and Sidek, 2008; Bucklin, Gupta and Siddarth, 1998). Aside from trying to fascilitate new product introduction, a continuous price promotion is being implemented in order to increase the sales volume of matured products (Shimp, 2010, p. 454; Yee and Sidek, 2008).

For example, commonly found within the grocery industry, a lot of marketing managers today are shifting from the use of heavy advertisements to the use of price promotion strategies. Particularly during the initial stage of new product introduction, a lot of food manufacturing companies that are selling new product-line in superstores (i.e. Wal-Mart) are implementing in-store promotional activities (Lee, 2005, p. 351). By implementing in-store promotional activities, large-scale food manufacturing companies can save a lot of money out of using heavy advertisements. Even though excessive use of price promotion can somehow increase the company's short-term sales, the use of this particular marketing strategy is not effective in terms of building a long-term brand equity (Barwise, 1993, pp. 94 – 95).

Contrary to the use of price promotion, customers who are loyal to a brand are less sensitive when it comes to price movements (Chattopadhyay, Shivani and Krishnan, 2009; Jensen and Drozdenko, 2008; Yoon and Kim, 2000; Rotzoll, Haefner and Hall, 1996, p. 96; Reichheld and Sasser, 1990). In exchange of a small price difference, customers who are loyal to a brand are less likely to look for other alternative brands that offer discounted price as compared to the non-brand loyal customers (Jensen and Drozdenko, 2008; Jorgensen and Zaccour, 2004, p. 94; Rotzoll, Haefner and Hall, 1996, p. 96). To avoid inducing negative emotional reactions from consumers, Rotemberg (2005) explained that marketing managers should see to it that the company is charging fair market price on their products.

Somehow, there is trade-off between being able to maintain a group of customers who are loyal to a brand and the company's decision to increase the selling price of its product and services. Even though public consumers who are loyal to a brand are more willing to pay a higher price as compared to the non-brand loyal customers, marketing managers should keep in mind that there is a limit as to how much price increase the brand loyal customers are willing to pay in exchange of the brand (Jensen and Drozdenko, 2008).

Fair price means that the company is able to sell a high quality product at a reasonable price (Hanzaee and Yazd, 2010). To avoid losing brand loyal customers to a company's close competitors, marketing managers should be able to determine the average "acceptable price range" that the loyal brand consumers would pay for a brand (Indrayani, Siringoringo and Saptariani, 2008, p. 18; Keegan, Moriarty and Duncan, 1995, pp. 324 – 325). It only means that a company is at risk of losing some of its valuable customers in case the company decided to charge its existing customers with excessively high price.

According to Zeithaml (1988), price is one factor that most public consumers are looking at when judging a product for its quality. For this reason, offering a very low market price or a continuous price promotion can also adversely affect consumers' loyalty to a brand (Indrayani, Siringoringo and Saptariani, 2008; Yoo, Donthu and Lee, 2000). In line with this, Indrayani, Siringoringo and Saptariani (2008) explained that non-loyal customers are less likely to buy low price products from unknown brands. It means that implementing a continuous price promotion, on the part of unknown brands, would only mean lesser sales and profitability (Moore and Olshavsky, 2006). Furthermore, Yoo, Donthu and Lee (2000) revealed that excessive use of price promotion is not good in terms of the increasing the public consumers' perceived brand quality, brand association, brand awareness, and brand loyalty. It means that each time an unknown brand offers price promotion, the company is unconsciously making its brand equity decline further.

To examine the maximum or minimum price consumers are willing to spend on a given brand, Jensen and Drozdenko (2008) conducted a research survey study on 385 consumers whereby each of the research survey respondents were asked about their brand preferences of 10 different items in relation to their expected market price and whether or not the non-brand loyal consumers are willing to purchase the cheapest brand or a cheapest brand they personally recognize. Based on the research findings, Jensen and Drozdenko (2008) found out that 14% to 43% of non-brand loyal consumers are willing to purchase the cheapest price offered depending on the kind of product being offered to them and that 57% to 86% of them are willing to purchase the cheapest brand provided that they are able to recognize the brand name. In the case of the brand loyal consumers, Jensen and Drozdenko (2008) found that that this group of consumer is willing to pay at most 15.4% to 37% higher market price for their preferred brand.

Shimp (2010, p. 454) explained that the use of continuous price promotion is not effective without the use of effective marketing communication in the form of advertisements. This explains why Jensen and Drozdenko (2008) found out that as much as 57% to 86% of the non-loyal brand consumers are willing to purchase the cheapest brand provided that they are able to recognize the brand name. Furthermore, the use of continuous price promotion is not effective in terms of increasing the trend of a weak and declining sales (Shimp, 2010, p. 454). Since the process of offering price discounts or too much price promotion can only reduce the brand equity or brand value of a company (Yoo, Donthu and Lee, 2000), the marketing managers today should exert more effort to learn more about consumer behavior even before they try to develop and implement a new pricing strategy. Likewise, marketing managers should keep in mind the importance of marketing communication since a well-recognize brand names can easily attract more customers as compared to unknown brands that offers a relatively low price (Hutton, 1997).

Pricing is important for the success of a company (Gabor, 1990). In fact, pricing serves as a good marketing strategy in terms of persuading the customers to patronize a brand, product, or services. By knowing the average price the public consumers are willing to pay for a brand, the use of effective pricing strategy can help companies create new product demand. In other words, marketing managers should be able to create and implement the use of effective pricing strategy to increase the company's sales and profitability (Shipley and Jobber, 2001).

In reality, not all companies that are successful today are using pricing strategy that offers the lowest possible cost (Ross, 1984). Instead of offering the lower possible price, Ross (1984) clearly explained that the only reason why there are a lot of companies that have been successful in their line of business is because of their ability to "outmaneuver their close competitors on pricing". By carefully analyzing the pricing strategy of other similar companies, it is possible for marketing managers to create and design a new pricing policy that will outsmart their competitors.

Shipley and Jobber (2001) argued that pricing has to be a continuous process that needs to be established in a highly competitive setting. Depending on the market competition and the target customers' financial capacity to purchase a new product, companies can either implement the use of either pro-active or re-active pricing strategies (James, 2009, p. 102). Basically, pro-active pricing model is referring to the process of formulating the price during the early phase of product development and eventually anticipate the need to change price over time whereas a re-active pricing strategy initially set a high price and wait for its competitors to put in some pressure before the company would finally drive its market price down (Raney, 2005, p. 374).

To be able to come up with an effective pricing strategy, Doyle (2008, p. 3) strongly suggest the need to evaluate the financial capacity of the company's target customers by conducting market segmentation, carefully studying the product and service quality preferences of its target customers, and the average market price that the target consumers are willing to spend in exchange of the products and services. Through market segmentation, managers can help create differential advantage on the part of the company.

2.4. Market Segmentation and Price Changes

Market segmentation is described as discriminatory tactics that are aimed at reaching target consumers (Kwoka, 1992). In a typical case, the marketer will use "multiple quality variants" to achieve market segmentation(Kwoka, 1992, p. 615). Multiple quality-variants can be used on a product so that businesses can discriminate among consumers. However, when businesses are unable to distinguish consumers by virtue of class for "price discrimination" price and quality can be combined to "induce buyer self-selection and surplus extraction" (Kwoka, 1992, p. 616). In other words, marketers can offer a product in ways that aligns price with quality. By taking this approach, market segmentation ensures that changes in price has minimal impact on consumer preferences and shopping habits. This is particularly important in markets where consumers are diverse with diverse needs and preferences. While there will always be price conscious consumers, there are just as likely to be consumers that are more connected to quality and products that can be distinguished from other like products and not *merely on the basis of price. This is particularly important in the Saudi market where consumers are decidedly diverse.*

In the automobile industry however, price and quality do not always coincide. For example in a study of available data Verboven (1996) found that the prices for the same car model differ by approximately 90% in different countries. Some of the main factors influencing price are "low price elasticities/domestic market power", and "binding import quota" (Verboven, 1996, p. 240). It would therefore appear that where the domestic market is particularly strong, automobiles are usually priced lower but where they are subject to constraints, the price will usually go up as the supply would be significantly lower than the demand. Market segmentation therefore appears to have a significant impact on pricing. For example where a high demand, low supply market is targeted, price discrimination or market segmentation via pricing strategies can be successful.

Lavoie and Liu (2007) argue however, that the cost of exchange rates can have a significant impct on "an imperfectly competitive exporter's pricing behaviour" (p. 571). Lavoie and Liu (2007) explain that:

> *Exchange rates create a wedge between the price set by the exporter and the price paid by the importer, and can be used as an instrument of price discrimination (p. 571).*

Therefore in addition to domestic power variable and import quotas, exchange rates can also have an impact on pricing strategies in market segmentation choices made by marketers.

When market segments are closely connected and "overlap", fluctuations in prices can impact consumer purchasing behaviour (Gerster & Holthausen, 1986, p. 55). According to Gerster and Holthausen (1986) define overlapping markets as "segments that are not perfectly *sealed, and leakage between them occur" (p. 55). Consumers will be inclined to crossover into the overlapping market when prices in their market increase while prices in the overlapping market remain the same and lower. However, in marketing segmentation strategies, marketers who operate under the monopolist theory of market segmentation will take into account that crossing over into overlapping markets is not always a viable choice for all consumers as there are "transaction costs" involved and it differs across consumers (Gerstner & Holthausen, 1986, p. 55). It therefore follows that where market segments overlap, price discrimination and fluctuations in prices may not always be detrimental to profits.*

The monopoly theory of market segmentation:

> *…assumes that the firm decides what marketing program each segment must receive and the only choice left to a consumer is whether to accept or reject what the firm has designed for his segment (Moorthy, 1984, p. 288).*

Therefore based on the monopoly theory, there is no real choice for marketers confronted with exchange rates and overlapping markets in terms of controlling prices and the impact that it has on consumer prices in market segmentation strategies. It would appear that all marketers can do is price their products to cover the cost of exchange and import rates and leave the choice up to their consumers to either accept or reject their product.

Moorthy (1984) argues however, that there are choices that businesses can make in terms of market segmentation to defray the incidents and consequences of price fluctuations. First, the business is required to know the consumers in market segments. It is not enough to merely know the demographics of the consumers. There must be some knowledge of the traits that actually make a "real difference in consumer behaviour" (Moorthy, 1984, p. 288). According to the theory of consumer self-selection, firms may adjust to price fluctuations by knowing who the *consumers are in their market segment and to market products that essentially distinguish the product from that of other firms (Moorthy, 1984). Thus, marketers driven by the consumer self-selection theory will not only distinguish consumers from each other, but will distinguish their products from that of other firms.*

Clemons and Webber (1994) suggest that in market segments, firms can adjust to price fluctuations in a number of significant ways. The most important method for adjusting to price fluctuations is to tailor products to the preferences of consumers. It is also necessary to identify the needs of consumers and the actual conditions influencing consumer purchasing behavior. The reality is that:

> *The low-cost provider with economies of scale will not provide adequate defense against targeted cream-skimming by opportunistic competitors, able to offer lower prices to selected segments (Clemons & Webber, 1994, p.9).*

What firms need to do is to offer products that distinguish their products from others so the price fluctuations do not interfere with market segmentation strategies.

Toyota has been able to distinguish its product from its competitors by developing a significantly reputable brand reputation and equity. In addition, Toyota's targeted consumer is not price sensitive. This is because Toyota appeals to the older consumer from the middle class. Moreover, Toyota has developed a strategy in which customer service also works in favor of appealing to new and repeat customers. For example, consumers reported being actively approached by sales personnel who offered to actually sit with the consumer and discuss his or her needs and to make recommendations as to how those needs can be met (The Boston Consulting Group, 2012).

It therefore follows that Toyota uses consumer and market segmentation practices in ways that might counter the negative impact of price fluctuations on consumer spending habits. As reported by The Boston Consulting Group (2012A), successful sales requires knowing and understanding the consumers' needs. The Boston Consulting Group (2012A) identified 7 segments in terms of consumer segmentation: thrill seekers, hedonists, performance seekers, family oriented fathers, the rational consumer, the "cool conflicted and the functionalist" (p. 1). In devising products and extending existing product lines, the firm can meet the consumer needs and requirements by ascertaining the extent to which the consumers fit within each of the 7 segments identified by the The Boston Consulting Group (2012A).

It therefore follows that in market segmentation as well as consumer segmentation the focus on price assumes that all consumers are exactly the same and that they will all shop elsewhere when prices increase. However, this is not necessarily true. Consumers are different and Saudi Arabia's consumer market is just as diverse as any other modern consumer market. The differences in consumers suggest that consumers are influenced by different preferences and expectations and prices may not be as important to customers as quality. For example where a product has a high price, the price will only bother some consumers if the price is inconsistent with the quality of the product. However, where the price is high and quality matches the price, consumers may not be all that concerned about prices.

2.5 Significance of Pricing over the Development of Brand Equity

Barwise (1993, pp. 94 – 95) argues that excessive use of price promotion can increase the company's short-term sales but not in terms of building a long-term brand equity. Obviously a firm must take a lot of factors into account when considering price promotion strategies. To begin with, price promotions cost the company in terms of profits, moreover, price promotions can harm consumer perceptions of quality and may in turn harm brand equity. It is therefore important that companies have a good understanding of the appropriate time and place for implementing price promotions. Because of the idea that ineffective pricing can cause harm in the development of brand equity, a lot of past and current studies have tried to examine the impact of pricing in the development of brand equity (Valette-Florence, Guizani and Merunka, 2009; Erdem and Keane, 2008; Indrayani, Siringoringo and Saptariani, 2008; Kocas and Bohlmann, 2008; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000).

Valette-Florence, Guizani and Merunka (2009) measured consumers' opinion with regards to the impact of sales promotion intensity and brand personality in the development of brand equity. At the aggregate level, Valette-Florence, Guizani and Merunka (2009) found out that the use of a high intensity sales promotion can lead to a negative effect on brand equity whereas brand personality can lead to a positive effect on brand equity.

Using a self-administered questionnaire as the main instrument in the study, Indrayani, Siringoringo and Saptariani (2008) analyzed the impact of price changes on customers' brand loyalty sensitivity. Based on the research findings, Indrayani, Siringoringo and Saptariani (2008) found that the public consumers' choice of brand is highly dependent on the changes in price in the sense that the higher the price increase will lead to a higher brand switching on the part of the public consumers.

The research study of Kocas and Bohlmann (2008) was focused on investigating the impact of price compatition among three (3) different retailers. Similar to the research findings of Indrayani, Siringoringo and Saptariani (2008), Kocas and Bohlmann (2008) also found out that price sensitive customers tend to shift to other retailers that sell homogenous products at a much lower price. Kocas and Bohlmann (2008) also tackled the impact of store size in the sense that a larger retailer has the benefit of economies-of-scale. Since larger retailing companies have higher bargaining power against its accredited suppliers, most of the large-scale retailing companies can have smaller "sensitive-to-loyal ratio" as compared to the small-scale retailers (Kocas and Bohlmann, 2008). For this reason, Kocas and Bohlmann (2008) concludes that there is a trade-off between charging consumers with a higher market price and decreasing the public consumers' brand loyalty.

Using a structural equation model, Villarejo-Ramos and Sanchez-Franco (2005) tested the impact of price promotion and marketing communications on several dimensions of brand equity such as brand awareness, brand image, brand loyalty, and perceived quality. Based on empirical test results, Villarejo-Ramos and Sanchez-Franco (2005) revealed that the use of effective marketing communication can trigger positive effects on brand equity and provides strong support in the development of brand awareness, brand image, brand loyalty and perceived quality but not price promotion. In line with this, Villarejo-Ramos and Sanchez-Franco (2005) explained that the use of heavy price promotion can lead to the development of a negative brand equity dimensions including brand awareness, brand image, brand loyalty and perceived quality.

Erdem and Keane (2008) conducted a research study which aims to determine whether or not price and advertising can significantly affect brand quality. Based on the estimates that the authors have gathered from the authors' proposed model, Erdem and Keane (2008) revealed that implementing a frequent price reduction is more than enough to trigger adverse effects on brand equity. Even though the use of frequent advertising can affect the brand quality, Erdem and Keane (2008) explained that the impact of frequent advertising on brand equity is more difficult to measure as compared to price.

Similar to the research findings of Erdem and Keane (2008), Yoo, Donthu and Lee (2000) also conclude that the theory that excessive use of price promotion does not support the development of a positive brand equity. In line with this, Yoo, Donthu and Lee (2000) examined the possible link between the elements of the marketing mix and several dimensions of brand equity such as brand awareness combined with brand association, brand loyalty, and perceived quality. Basically, the authors adapted the use of a structural equation model to test some the research study hypotheses. Based on empirical test results, Yoo, Donthu and Lee (2000) found that excessive use of price promotion is not good in terms of the increasing the different dimensions of a company's brand equity (i.e. consumers' perceived brand quality, brand association and brand awareness, and brand loyalty) whereas high market price, outstanding store image, high advertising spending, and high distribution intensity are all significant in terms of increasing the brand equity. This means that each time an unknown brand offers price promotion, the company is unconsciously making its brand equity decline further.

Adapting the research method of Yoo, Donthu and Lee (2000), Chattopadhyay, Shivani and Krishnan (2009) also explored the potential link between the attributes of brand equity and the direct or indirect elements of marketing mix (i.e. direct marketing mix variables such as advertising frequency, distribution intensity, price promotion, and store image and indirect marketing mix variables such as celebrity endorsements, country of origin, and peer recommendation). After applying the research purpose in the case of the automobile industry in India, Chattopadhyay, Shivani and Krishnan (2009) found that product quality which includes better mileage, smooth driving, and hi-tech image of the brand are among the common product features that can increase the brand equity of automobile company whereas perceived quality is highly dependent on the country of origin of the brand. There is also a significant link between brand equity and peer recommendation in the sense the positive feedback or personal opinion coming from the public consumers with regards to their experiences with the vehicles can also affect the brand equity of automobile companies (Chattopadhyay, Shivani and Krishnan, 2009). With regards to pricing, Chattopadhyay, Shivani and Krishnan (2009) revealed that the public consumers in India tend to have a perception that the perceive brand is made of superior quality especially when the market price of vehicles is high.

2.6 Significance of Price Changes on the Consumers' Purchasing Behavior

Movements in price changes can affect the purchasing behavior of consumers (Hoyer and Maclnnis, 2010, p. 22). To be able to clearly understand the significance of price changes on the public consumers' purchasing behavior, one should be able to accept the fact that the public consumers can be categorized as either price sensitive or non-price sensitive customers (Tybout and Calder, 2010, p. 193). As a basis for an overall evaluation of, or attitude towards a brand, the brand image can affect people's perception about a brand's attributes, benefits, and attitude associations (Ghorban, 2012; Yaseen et al., 2011). This means that a strong brand association and brand loyalty can influence consumer bias in purchasing behavior when responding to or patronizing a brand (Nigam, 2012).

For example, several studies theorize that customers who are loyal to a brand are less sensitive when it comes to price movements (Jensen and Drozdenko, 2008; Yoon and Kim, 2000; Rotzoll, Haefner and Hall, 1996, p. 96; Reichheld and Sasser, 1990). In fact, some people may consider high price of products and services as a form of status symbol (Hoyer and Maclnnis, 2010, p. 23; Chattopadhyay, Shivani and Krishnan, 2009). For these reasons, even though a company suddenly decreases the market price of goods and services by offering attractive promotional discounts, it is unlikely that the brand loyal consumer would shift from one brand to another. In fact, customers who are loyal to a brand are not easily motivated by the small price difference offered by other brands (Jensen and Drozdenko, 2008; Jorgensen and Zaccour, 2004, p. 94; Rotzoll, Haefner and Hall, 1996, p. 96).

With respect to cars, it is difficult to imagine a consumer who is loyal to one brand, shifting brands simply because a competitor is suddenly offering a discounted price. Cars are virtually embedded in individual identities and an individual will likely only shift car brands if a new and highly unique car is developed by a competitor. For exmaple a Mercedez Benz consumer is unlikely to trade in his or her Benz to purchase a BMW just because BMW is promoting discounted cars, unless that BMW is somehow perceived as superior or more sophisticated or more unique than Mercedez Benz. However, if that were the case, it is highly unlikely that BMW could afford to or need to offer BMW at a discounted price.

Even so common sense dictates that although loyal customers are willing to pay a premium price for their preferred brand, consumers are more likely to consider the market price of other similar products offered by other brands (Hoyer and Maclnnis, 2010, p. 23). Since consumers have the opportunity to consider the the market price of other brands as a reference price, it is crucial on the part of the company to avoid selling products and services more than what the public consumers are willing to pay. In other words, just as under-pricing can influence consumer perceptions of brand quality and brand equity, overpricing can have the same effect as a price in excess of quality raises questions about honesty and corporate social responsibility and therefore deminishes brand equity and brand image.

Consumers are categorized as either price sensitive or non-price sensitive buyers (Hoyer and Maclnnis, 2010, p. 23; Tybout and Calder, 2010, p. 193). For this reason, the process of offering price promotion can still be effective in terms of motivating a large group of price sensitive consumers to start testing a brand that is newly introduced in the market. Likewise, the non-brand loyal customers will always have the option to shift other brands that offer lower price (Jensen and Drozdenko, 2008; Jorgensen and Zaccour, 2004, p. 94; Rotzoll, Haefner and Hall, 1996, p. 96).

The research study conducted by Rizvi (2012) examined the short-term and long-term effects of sales promotion on the bevarage and foam manufacturing industry in Pakistan. Based on the research findings that were gathered from 200 consumers, Rizvi (2012) found that the use of sales' promotions can increase the short-term profitability of the companies. Sales' promotion can also lead to a long-term increase in sales and profit provided that consumers are able to recall the brand. In general, Rizvi (2012) explained that sales' promotion is not the only factor that can increase the companies' short-term profit since other factors such as culture and tradition and product quality can also affect the purchasing behaviour of consumers.

Since price is one factor that most consumers look at when judging a product for its quality (Zeithaml, 1988), a sudden increase or decrease in the market price of goods can either create a positive or negative reaction from consumers. Even though the process of offering a relatively low market price can entice the price sensitive customers to patronize a brand, several studies have noted that offering a very low market price or a continuous price promotion can also adversely affect consumers' loyalty to a brand (Indrayani, Siringoringo and Saptariani, 2008; Yoo, Donthu and Lee, 2000).

Based on the economic theory, decrease in price can somehow increase consumers' willingness to purchase (Hoyer and Maclnnis, 2010, p. 22). Within this context, one can conclude that it is wrong perception that the process of offering continuous price promotion will always lead to a lower sales and profitability. Even though the economic theory strongly suggest that the act of selling products and services at a low price will encourage more people to purchase a brand, marketing managers should observe the negative consequences associated with using price promotion as a marketing strategy.

According to Hanzaee and Yazd (2010, pp. 3783), “price signals quality, but counteracts perceptions of price fairness and value”. In this regard, Hoyer and Maclnnis (2010, p. 22) explained that the process of selling products and services at a relatively low price will only make consumers suspect that the company is compromising the quality of the product. This partly explains why excessive use of price promotion is not good in terms of increasing consumers’ perceived brand quality, brand association, brand awareness, and brand loyalty (Yoo, Donthu and Lee, 2000). Furthermore, there will always be the risk wherein the customers who are not loyal to a brand may still refuse to purchase low priced products coming from unknown brands (Jensen and Drozdenko, 2008; Siringoringo and Saptariani, 2008). For this reason, marketing managers should refrain from selling products and services at a relatively low price and too frequently as this can be counterproductive to increasing or maintaining brand equity and brand image.

Keller (1993, p. 8) explained that the differential response coming from consumers is the end-result of the consumer’s brand knowledge memory structure (i.e. brand image and brand awareness). Therefore, marketing managers should take note of the circumstances wherein consumers can reflect misleading behavior towards a brand. Because of the trade-off between price promotion and brand equity, it will always be important on the part of Toyota to examine how consumers in Saudi Arabia would respond to a sudden price change.

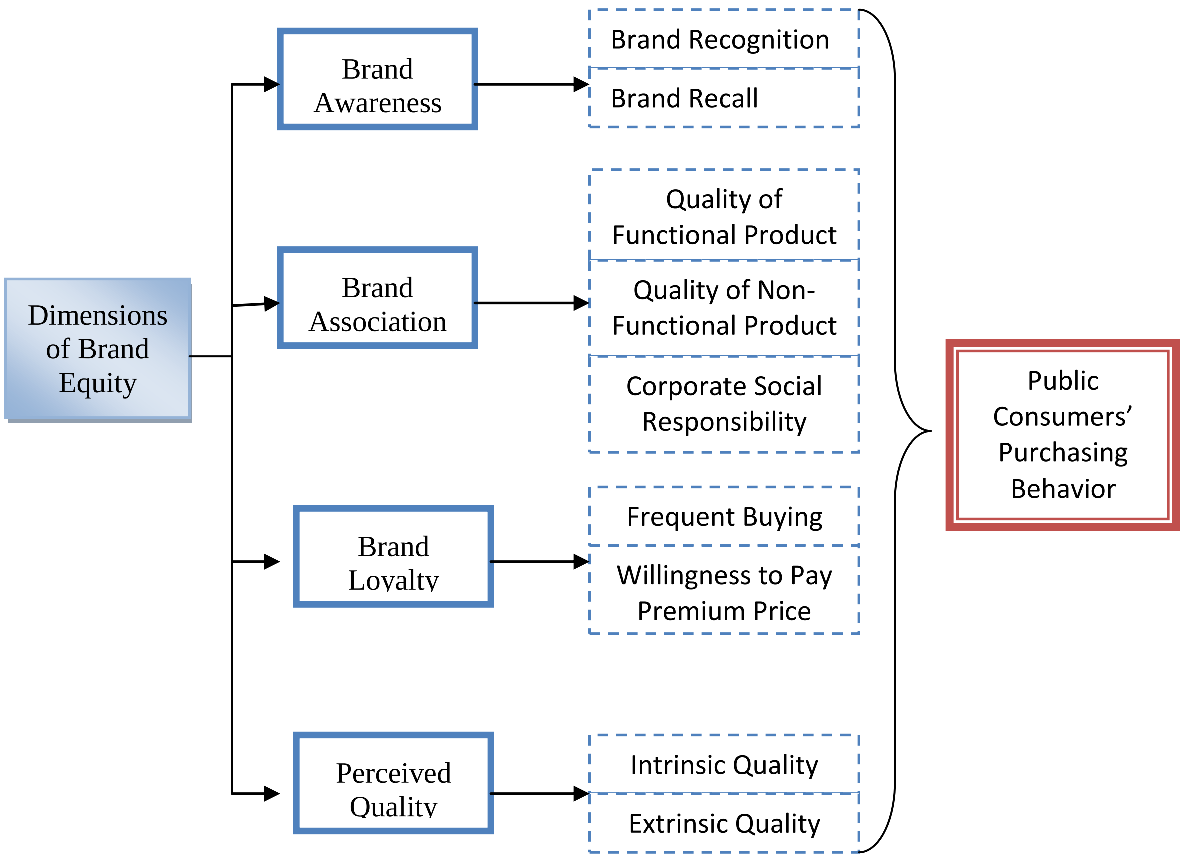
In the study conducted by Macdonald and Sharp (2000), the authors found that brand awareness differentials can significantly affect consumers' choice of brand and repeat purchase behavior. Likewise, Hoyer and Maclnnis (2010, p. 23) revealed that consumers have different opinions with regards to the impact of price in their purchasing decision. Clayton and Heo (2011) found that excessive use of promotional-based advertising on non-durable goods category can lead to lower levels of brand attitude, brand image, and perceived quality. As a common knowledge, automobiles are classified as durable goods. Therefore, other similar brands may not be able to deliver the product quality, driving comfort or safety features that Toyota is currently giving to the public consumers.

2.7 Chapter Summary

A review of the literature informs that strong brand equity is important not only in terms of facilitating the opportunities and capabilities of companies to attract more customers to purchase the companies' products and services, but also for enabling companies to charge a premium price for their products. Other benefits of having strong brand equity include: increasing the companies' profit margin, having a brand that is distinctive as compared to other brands, increasing the efficiency and effectiveness of a company's marketing strategy, helping the company build long-term brand loyalty, and gaining leverage over its close competitors.

The different dimensions of brand equity such as brand awareness, brand association, brand loyalty, and perceived value can affect the purchasing behavior of consumers. For instance, given that consumers are able to recall and recognize a brand (brand awareness), there is a higher chance that consumers will purchase a brand. Brand loyalty can affect the purchasing behavior of consumers in the sense that the brand loyal consumers are more willing to pay a premium price for a brand. Likewise, brand loyalty is a common reason why consumers would repurchase a brand. Among the non-functional attributes of brand association includes a higher perceived value, trust, positive social image, and brand differentiation. Given that consumers are able to associate themselves with a brand, there is a higher chance that consumers would purchase a brand. (See Figure III – Summary with Regards to the Impact of Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty on Consumers' Purchasing Behavior

Figure III – Summary with Regards to the Impact of Brand Awareness, Brand Association, Perceived Quality, and Brand Loyalty on Consumers' Purchasing Behavior



Pricing can affect the dimensions of brand equity either in a positive or negative way. For instance, excessive use of price promotion can lead to a negative brand equity growth. For this reason, the use of too much price promotion can harm the company's long-term sales and profitability. On the other hand, charging consumers with a price higher than that which consumers are willing to pay may force some of the brand loyal customers to switch to another brand. Because of the impact of price on brand equity, marketing managers are challenged to develop a more effective pricing strategy based on fair market price.

Several studies suggest that the process of continuously offering price discounts or too much price promotion can only reduce the brand equity or brand value of a company (Valette-Florence, Guizani and Merunka, 2009; Erdem and Keane, 2008; Indrayani, Siringoringo and Saptariani, 2008; Kocas and Bohlmann, 2008; Villarejo-Ramos and Sanchez-Franco, 2005; Yoo, Donthu and Lee, 2000). On the other hand, price promotion strategies can help companies increase its short-term sales and profitability (Rizvi, 2012). In fact, it is possible for marketing managers to convert price-sensitive customers into a loyal customers (Kepferer, 2012, p. 512; Anderson and Kumar, 2007). Using brand extension strategies, the company can serve the specific needs and wants of the price-sensitive customers without having the need to alter the product quality and features or more expensive products (Kepferer, 2012, p. 512; Zhou and Belk, 2004; Hutton, 1997; Cobb-Walgren, Ruble and Donthu, 1995; Pitta and Katsanis, 1995). Within this context, marketing managers can use price promotion strategies to open up entirely new business opportunities. In the long-run, this strategy can effectively increase the company's brand equity.

With respect to the automobile industry, one of the possible reasons why the rate of customers' repurchase is low is because of the high cost of a new vehicle. Automobiles are classified as durable goods. Therefore, some of the research findings presented in this chapter may not necessarily apply in the case of Toyota. To learn more on how consumers in Saudi Arabia are expected to react to price changes in Toyota vehicles, it is necessary to ask questions like whether or not the process of offering price promotion can significantly decrease the

Toyota’s brand equity or would this particular pricing strategy increase the company’s long-term brand value? Are consumers in Saudi Arabia price sensitive when it comes to purchasing a new vehicle? If not, how much of a price increase would Saudi Arabian consumers accept without compromising the value of Toyota’s brand equity dimensions?

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DBA Document 3

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The Impact of Price Changes on the Brand Equity of Toyota in Saudi Arabia

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Abstract

Document 3 describes the research methodology used in this qualitative case study, the rationale/justification for the methodology and reports the findings with an analysis of the findings. The purpose of the study is to investigate and describe the effect of sudden price changes on consumer purchasing behaviour and attitudes toward brand equity. The qualitative case study consists of 6 mini focus group each were comprised of between 3-5 participants who are Saudi national car owners of Toyota and its competitors' car models no older than the year 2010. The focus groups participated in a price simulation exercise followed by interviews. The price simulation exercise exposed the participants to price changes to their preferred vehicle and observed how they responded to those changes. The follow-up interviews were calculated to determine why the participants responded as they did to the price changes in the price simulation exercise. Research findings indicate that most customers will at the very least consider an alternative brand when confronted with a price change. However, the more affluent and loyal customers will not change brands when price changes are insignificant and are reasonable. These results are analyzed by reference to a conceptual framework drawn from the work of Villargeo-Ramos and Sanchez (2005) and Yoo, Donthu, and Lee (2000) who established a link between marketing communications and brand equity including brand awareness, brand association, brand loyalty and perceived brand quality. The results of this study confirm that price changes as a marketing communication strategy is received and interpreted in the context of the different dimensions of brand equity.

Table of Contents

Chapter 3 - Research Methodology

3.1. Introduction

This is a qualitative case study that investigates the responses of consumers in Saudi Arabia when experiencing sudden price adjustments to the leading models in automobile categories of small sedans, medium sedans, and small SUVs in Saudi Arabia. In particular this qualitative case study seeks to determine from the perspective of Saudi Arabian consumers the extent that price changes influence their purchasing behaviour. In understanding and discovering how price changes influence the purchasing behaviour of Saudi Arabian consumers in the automobile sector, a link can be made between the impact of price changes on the brand equity of Toyota in the context of brand awareness, brand association, brand loyalty, and perceived quality; and whether or not effective price management would improve or maintain Toyota's competitive edge in Saudi Arabia's market. In order to make this link, a qualitative case study is used to obtain material rich and detailed enough to identify how consumers' own brand awareness, brand association, brand loyalty and perceptions of quality are influenced by price changes relative to automobiles in the categories under investigation. This chapter will explain the research methodology used for achieving the goals of this research study and the justifications for the methodology chosen.

A qualitative case study is chosen for accomplishing the objectives of this study since it emphasizes the experiences and perspectives of the consumers who have purchased Toyota vehicles or other similar vehicles in Saudi Arabia (Baxter & Jack, 2008; Patton, 2000). Thus consumers who own automobiles, can reveal from their own perspectives and experiences the degree to which they have brand awareness, brand association, brand loyalty and perceptions of quality and the role that price and price changes play in forming those elements of brand awareness, brand loyalty, brand association and perceptions of quality. In this regard a qualitative study involves the exploration of a specific social setting or phenomenon involving the collection of “detailed, in-depth data” from multiple sources including interviews, observations, open-ended questionnaires, focus groups and secondary material such as reports and records (Creswell, 2009, p. 43). As will be explained in this chapter, multiple data sources were used in the collection of material indicative of the experiences and perceptions of automobile consumers in Saudi Arabia with respect to brand awareness, brand association, brand loyalty and perceptions of quality and in particular the role of price and price changes in informing these elements of brand equity.

Thus a qualitative study is “subjective” which is important to marketing research for challenging “commonly held assumptions” (Daymon & Holloway, 2011, p. 213). In other words, this research does not assume that all consumers respond to brand equity in the same way when confronted with price changes. Instead, this research study is open to the possibility that one group of consumers and individuals in a group may respond differently. Even so, this research intends to identify the factors that influence these responses and to determine linkages and explanations relative to consumer purchasing behaviour in a specific situation: price changes. A qualitative case study allows for an “analysis of a” specific “phenomenon” which may be programs, institutions, individuals, or social groups (Merriam, 2009, p. x). Since this study involves the collection of material relative to the experiences and perspectives of Toyota consumers in Saudi Arabia relative to price changes and its impact on brand and value, this study is a qualitative case study. Specifically, this study investigates a bonded system.

The investigation is conducted using focus groups and interviews as a means of collecting rich and detailed material. Baker (2004) explains that qualitative research in marketing typically involves focus groups and interviews as a means of exploring and diagnosing the “known or desired” consumer group (p. 82). The purpose of a qualitative research in marketing is “to generate an understanding of things that bind groups of consumers together” (Baker, 2004, p. 82). Therefore the data collected will be “interpretive,” “introspective” and “subjective” (Belk, 2006, p. 3).

In other words, from an interpretive perspective, this researcher is not only interested in price changes and corresponding consumer behaviour, but the researcher is also interested in how the participants in this study make sense of price changes and how their perspectives influence their behaviour (Maxwell, 2013). The philosophical underpinnings of interpretive approaches assumes that there is no single objective truth and that truths can be constructed from multiple sources and that reality can be constructed by discovering the perspectives of others. Thus interpretive researchers do not seek to generalize, but rather to study a specific phenomenon in a specific context and a specific time-frame (Bahl & Milne, 2007). Thus the interpretive approach is also a subjective approach in that there is no objective truth or reality (Flick, 2009). Therefore in using the interpretive approach, this research takes the position that there is no single reality and that reality can be constructed from the perspective of those experiencing the topic under investigation. In this regard, this research study collects material from consumers in Saudi Arabia with automobiles and some brand awareness or brand association or brand loyalty and some perception of quality and seeks to understand their perceptions informed by this experience.

This study is also introspective because it seeks to obtain narratives from the consumers based on their own experiences and perspectives. One introspective technique used is focus groups in which price change stimulations are conducted. The purpose of this exercise is to determine whether or not consumers behave as they say they would in price change situations. Here consumers are presented with actual images and prices which change and their emotional and instinctive responses are observed and explored through discussions. According to Gustavsson (2007), imagery can encourage participants in a study to reflect and express themselves more honestly and freely than in purely verbal settings. In other words, an introspective approach not only allows the participants to look within and express themselves, but will also allow the researcher to look within and examine the results of both the focus group and the interviews to come to a close approximation of the reality of how price changes influence brand value and in turn consumer behaviour from the perspective of the consumers participating in the study.

Previous qualitative case studies have been conducted on the influence of price on consumer behaviour. For example, Choi and Hong (2002) conducted a qualitative case study using in-depth, semi-structured interviews among managers in Acura, Honda and DaimlerChrysler to determine the impact of operations cost on the structure of the supply network. In this regard, a qualitative case study was useful for gaining an understanding of how cost influenced the behavior of those directly impacted by costs. Likewise, **this** case study seeks to determine the impact of price changes on the behavior of consumers who are directly impacted by price changes.

Moreover, Beach, Muhlemann, Price, Paterson and Sharp (2001) argue that any research that can impact production channels and management decisions in production management is best suited to qualitative studies. This is because quantitative studies, particularly with respect to longitudinal studies and close-ended surveys and questionnaires do not provide the kind of in-depth information that allows detailed insight into the phenomenon of production. Production is a complex venue requiring the kind of profound insight that allows for flexibility (Beach, et. al. 2001). This study seeks to provide an in-depth and detailed understanding of the impact of price changes on consumer purchasing behavior and how price changes impact perceptions of brand and quality. Each of these outcomes can have significant consequences for production management and therefore, a qualitative case study is well-suited to this research study.

A similar research method was used by Hutton (1997) for exploring consumers' "brand-equity behaviours" including their "willingness to pay significant price premiums for certain brands" and the circumstances in which consumers place premiums on "well-known brands" (p. 428). The study was conducted using focus group observations and interviews (Hutton, 1997). This study focused on organizational purchasing behaviour however. Nonetheless, it demonstrates that focus groups and interview methods are reliable sources of primary data for qualitative research methods in marketing research.

As a qualitative case study, this study is designed in a way so as to explore and understand the phenomenon of price changes in a specific automobile industry and its consequences for the purchasing behavior of its consumers (Keegan, 2009; Cooper & White, 2012). The consumers have direct experience with this phenomenon. The details of these experiences can be used to arrive at general conclusions about the impact of price changes on consumers' purchasing behavior in Saudi Arabia. In this regard, a phenomenon is a method by which we can understand the experiences of individuals experiencing the phenomenon (Merriam, 2009).

3.1.1. Research Questions

The research questions guiding this research are:

1. How does price influence the purchasing behavior of automobile consumers in Saudi Arabia?

2. What impact do price changes have on the brand equity of Toyota in terms of brand awareness, brand association, brand loyalty, and perceived quality from the perspective of Saudi Arabian consumers?

3. Based on the perspectives and experiences of Saudi Arabian automobile consumers, would effective price management improve or sustain Toyota's competitive edge in Saudi Arabia's automobile market?

This chapter will set forth the research methodology utilized in investigating the research questions and how the results will be analysed. This research study essentially seeks to determine why and how price changes in selected models of Toyota and its competitors impact the purchasing behavior of Saudi consumers and specifically, their perceptions of brand equity and therefore a qualitative case study was selected. The qualitative case study allows for placing the area of inquiry into context and thus allows for a "contextual understanding" of the thing studied (Willis, 2007, p. 181).

Moreover, this study deals with human experiences and human behavior and thus it is best dealt with under a flexible research methodology (Zikmund & Babin, 2007). Qualitative studies are flexible and manifests emerging themes because it permits the researcher to respond to changes that occur in the course of the study (Merriam, 2009). This is because qualitative studies involve the observation and interpretation of the complexities of human conduct permitting the researcher to change research strategies in response to new and changing outcomes as they arise (Stake, 2010). For example, a pre-prepared list of questions may be modified in the course of an interview when a participant offers information requiring further investigation. In this regard, qualitative studies allow a flexible approach via semi-structured interviews that allow the researcher to go off-script (Merriam, 2009).

Similarly qualitative data analysis is also flexible (Miles & Huberman, 1994). During the course of analysing the data collected, the researcher may notice categories arising that were not previously contemplated (Grbich, 2007). Moreover, information may arise that were previously thought to be of no real consequence but may at some time during the analysis appear to have some significance (Hardy & Bryman, 2004). Qualitative data analysis allows for flexibility in coding and analysing the data so that data that were previously perceived to be unimportant can be coded and categorized later on (Auerbach & Silverstein, 2003). In this regard, the results are likely to be more accurate and robust (Given, 2008).

For the purpose of this part of the study, coding refers to the practice of assembling, reassembling and once again assembling the data so that it presents a new picture (Goodwin & Goodwin, 1996). Data are identified and partitioned into coded categories depending on commonalities and discrepancies for ease of reference (Coffey & Atkinson, 1996). The coded data is examined over and over again until it can be narrowed down to a single explanation and all over explanations are exhausted and excluded (Merriam, 2009).

3.1.2. Conceptual Framework

The conceptual framework functions to situate the research questions and “strategies for exploring them within the wider universe of what is already known” relative to the “given topic or question” (Ravitch & Riggan, 2012, p. xiii). In this regard, the area of inquiry is consumer behaviour in the context of responses to price changes and in particular perceptions of the various dimensions of brand equity. Pricing is a marketing communication because it invariably communicates something about the product in terms of its quality (Koekemoer, 2005). For example, a premium price could communicate high quality or value in a branded product and low prices could communicate low quality or value relative to a product’s brand (Masterson & Pickton, 2010).

The conceptual framework of this research study draws on a study conducted by Yoo (2000) in which more than 500 college students were surveyed for the purpose of identifying the dimensions of brand equity. The study found that the dimensions of brand equity are perceived quality, loyalty, awareness and associations. The study also concluded that “frequent price promotions” are connect to “low brand equity” and “high advertising spending,” “high price”, “good store image” and “high distribution intensity” are linked to “high brand equity” (Yoo, et. al., 2000, p. 195).

A study conducted by Villarego-Ramos and Sanchez-Franco, (2005) is instructive. Villarego-Ramos and Sanchez-Franco (2005) devised a measurement scale for identifying the causal link between marketing communications and brand equity. For the purpose of this study, pricing strategies were the primary marketing communication studied. The study identified the dimensions of brand equity as perceived quality, loyalty, awareness and associations. The study also found that high prices and highly developed advertising tended to secure brand loyalty as it reaffirms to the consumer perceptions of high brand quality while persistent promotions with lowered prices deteriorates the brand value from the consumer’s perspective (Villarego-Ramon & Sanchez-Franco, 2005).

Therefore, the conceptual framework of this study is built around the assumption that brand equity consist of quality, loyalty, awareness and associations. The conceptual framework of this study is also built around the concept that pricing as a marketing communication strategy influences and is influenced by perceptions of brand quality, loyalty, awareness and associations. Using this conceptual framework, this study investigates the effects of price changes on brand equity by reference to the identified dimensions of brand equity by interpreting consumer spending and selection responses to price changes.

3.1.3. Market Segmentation

The results of this study will be analysed by reference to and with an understanding of the market segmentation strategies and its implications for pricing and brand (see Appendix C). In this regard, market segmentation refers to the clustering of customers into a block of common characteristics (Franzen & Ernst, 2008). Theories of consumer behaviour have increasingly rejected the idea that all consumers are alike. Instead, segmentation permits brands to be categorized and differentiated among diverse segments of customers on the basis of their shared traits within an identifiable group and their "differences from others in the market" Franzen & Ernst, 2008: 126). For instance, the Harley Davidson brand appeals to bikers in a similar way although the customers relate to the brand in different ways. Moreover, since Harley Davidson's customers do not share the same values and relate to the brand differently, Harley Davidson "communicates with them" differently (Franzen & Ernst, 2008: 126).

Market segmentation is seen as a strategy for informing advertising, pricing, distribution channels, product innovation and so on (Yankelovich & Meer, 2006). How a brand owner advertises, distributes and markets products will depend on market segments. Brand owners may use "product differentiation" (Mills, 2002: 58). Choices will be made reflecting the degree to which the brand owner has competition in its product line with other providers of a similar product (Mills, 2002). In such a case, the brand owner will want to offer different varieties of products to differentiate its product form its competitors. The monopolist will simply adapt a "vertical product differentiation" to distinguish between the different consumer groups (Mills, 2002: 58).

Market segmentation may inform a brand owner of pricing strategies. The question is therefore what effect or influence does price changes have on consumers' perceptions of brand. In highly competitive market segment, the price change may communicate different things to different market segments. For instance, consumers who have little or no brand loyalty may simply look for a different brand. However, it is likely that consumer with high brand loyalty may view an increase in price as a signal of higher quality and may remain loyal to the brand (Chiu, Lin, Hsu, & Chen, 2011). This study seeks to identify the impact of price changes on consumer perceptions of brand by studying a particular market segment which is further segmented: automobile consumers in Saudi Arabia who are owners of small sedans, medium sedans and small SUVs.

3.2. Rationale of the Research Design

According to Merriam (2009), the purpose of a qualitative case study is to discover "understanding" and "meaning" (p. 39). The discovery of meaning and understanding is accomplished via the selection of population samples who have experienced or are experiencing the phenomenon under investigation (Merriam, 2009). This study is therefore delimited in that a specific industry and a specific set of consumers who have experiences with brands and marketing communications about brand equity and its various dimensions in that specific industry is used. The experience is simulated among a population identified as car owners of the popular brands in the automobile industry and has dual goals. The price simulation exercise not only targets consumers who have previously experienced brand selection and can describe those experiences and perceptions influencing brand selection and brand satisfaction/dissatisfaction, but can allow them to experience the phenomenon all over again in the price simulation exercise. Their responses are observed and their responses are captured during focus group discussion and subsequently during a follow-up interview. The purpose of the price stimulation exercise is to gather material via observations to determine how the study participants actually respond to price changes, compared to what they say they will do and how they feel about price changes. In this regard, material is collected to provide observable introspection (price simulation) and narrative introspection (interviews, focus groups)

The focus group research design is important for bringing consumers together and as such generates a situation in which they interact within the specific marketing communication strategy studied: the impact of price changes on consumer purchasing behaviour and their perceptions of brand equity and its various dimensions. Focus groups have the ability to "generate discussion" and as a result, "reveal both meanings that people read into the discussion topic" and "how they negotiate those meanings" (Flick, 2006, p. 199). Focus groups also "generate diversity and difference" and reveals "the dilemmatic nature of everyday arguments" (Flick, 2006, p. 1999). Therefore the focus groups used in this study are meant to stimulate a situation in which consumers are observed interacting with each other and are perhaps influenced by each other's behaviour and perspectives in terms of purchasing behaviour. Moreover, within focus groups, the consumers are encouraged to share their perspectives and this opens up discussion.

By taking this approach, this study can discover the meaning and understanding from the perspective of these consumers, the impact of price changes on their purchasing behaviour and their underlying perspectives relative to the brand equity and the identified dimensions of brand equity. We can also determine whether or not consumer perspectives and purchasing behaviour is influenced by consumer interaction. It is also possible that consumers within focus groups may hold back their own feelings and perspectives based on how others within the group are behaving. This potential bias is controlled for by follow-up individual interviews.

Essentially, the focus group discussion and price simulation exercise within the focus group exercise are intended to construct the ontology of price changing occurrences and consumer reactions to this situation. In other words, the ontology of a situation in which consumers are confronted with price changes after choosing a brand is what they do in response to those price changes. The epistemology of the price simulation exercise is how and why consumers respond as they do when price changes occur (Raubal, 2001).

The ontology and epistemology of the price changing simulation and discussions within the focus groups therefore present a situation in which we can observe and generate discussions about how consumers find their way toward a purchasing decision within a specific social environment. In this regard, the social environment is one in which consumers interact with one another and describe their feelings and perceptions and perhaps in sharing those feelings and perceptions influence one another's choices. When we understand how price changes influence brand perceptions and consumer purchasing behavior we can help companies ascertain how best to manage pricing in the automobile industry in Saudi Arabia. From an epistemological perspective, we can determine whether or not, price changes are the dominant determining factor in consumer behaviour and whether or not consumer behaviour influences how perceptions of price changes occur. For example, it is possible that when consumers perceive that other consumers are loyal to brands despite price changes, does this influence brand loyalty or are consumers or certain consumers price conscious regardless of what other consumers say or do?

This focus group is placed in an imitated real life situation in which price changes occur relative to selected automobile brands via a price simulation exercise. As Banks (1998) informs, simulations permits the "imitation of the operation of a real-world process or system" (p. 3). By taking this approach, the researcher is able to observe "that artificial history to draw inferences concerning the operating characteristics of the real system that is represented" (Banks, p. 3). According to Banks (1998), "simulation is an indispensable problem-solving methodology for the solution of many real-world problems" (p. 3). Banks (1998) goes further to state that simulation "is used to describe and analyse the behaviour of a system, ask what-if questions about the real system" and help us to "design real systems" (pp. 3-4). It is here that the researcher is introspective and attempts to make sense of that which is observed compared to that which is narrated by the participants in focus group discussions arising out of the price simulation exercise and the subsequent interviews.

Thus, in this study, the researcher simulated the experience of price changes, observed the behaviour of consumers in this recreated real-world situation, encouraged open discussion, and identified their responses with a view to identifying how price management should be constructed to address the issues and concerns identified in the simulation exercise. Detailed, interpretive and instructive material was obtained from the price simulation/ focus group exercises and the follow-up interviews. As Sokolowski and Banks (2012) explain qualitative research begins with a focus group and naturally follows to an interview as a means of interpreting and describing what was observed in the focus group.

Miles and Huberman (1994) also explain that qualitative studies usually improve upon the opportunities for arriving at outcomes that were not previously contemplated and identifying new relationships and combinations. In other words, theories and assumptions in the literature that predict how consumers should respond to price changes may be expounded on as a result of findings in a qualitative study. In addition new assumptions and theories not previously covered in the literature may arise. Therefore, this qualitative case study may identify a whole new experience relative to how price changes influence the purchasing behavior of Saudi automobile consumers and may explain why these consumers continue to be loyal to or discontinue their loyalty to the Toyota brand or one of its competitors.

3.3. Participants in the Study

In discovering and understanding the impact of price changes on automobile consumers in Saudi Arabia, a social phenomenon is recreated via a price simulation exercise and human conduct is interpreted and identified. Therefore specific demographic, cultural and personal factors have to be taken into account in the analysis and interpretation of the material collected. It might therefore be worthwhile to consider and control for the fact that the impact of price changes on the individual consumer's purchasing behaviour might be specific to that consumer or a specific culture. Therefore the data analysis will control for specific exigencies such as personal or demographic influences and will not be intended to generalize (Flyvbjerg, 2006). This was accomplished by delimiting the study to a specific consumer group.

The study's participants are comprised of Saudi residents living in Jeddah and Riyadh and who own various models of Toyota and its main competitors' automobiles that are at least 2010 models or later. This group of consumers are selected because they are Saudi and have made recent purchases of Toyota automobiles or its competitors' models and are more likely to recall the impact of price changes on their decision to purchase the Toyota or its competitors' models since these were relatively recent purchases. Moreover these residents live in Saudi Arabia's major cities and thus are presumed to have a greater variety of choices of automobiles. It can therefore be assumed that the participants are representative of the wider population of automobile owners in Saudi Arabia's urban areas and in particular it's largest and busiest cities.

The participants are therefore selected on the basis of a purposive sampling. Purposive sampling consist of selection based on a pre-determined criteria related to a specific research objective or study (Mack, Woodsong, MacQueen, Guest, & Namey, 2005).

According to Guarte and Barrios (2006) purposive sampling is “ a random selection of sampling units within the segment of the population with the most information on the characteristic of interest” (p. 277). As previously noted, the sampling is limited to consumers in Saudi Arabia’s two largest cities who own 2010 or later Toyota or its competitors’ models. The sampling is purposive in that it is representative of the larger population of Toyota or its competitors’ owners who are residents of Saudi Arabia.

The sample size of Saudi consumers selected for this study is comprised of 6 focus groups each consisting of between three and five participants. The total number of participants is 30. The consumers chosen for participation in this study own small sedans (Yaris, Rio, Accent and Aveo), medium sedans (Camry, Accord, Optima and Sonata) and small SUVs (Rav4, Tucson, Sportage and CRV). In this regard, the sample population participating in this interview also represent various Toyota or its competitors’ car owners as they are stretched across various model types. The demographics of the consumers were virtually split down the middle between being married and unmarried, working, students or professionals and all of the participants were between the ages of 23 and 45 years old. 14 of the participants purchased their vehicles via an instalment plan and 16 purchased their vehicles by virtue of cash purchases.

3.4. Procedure

The participants are personally known to the researcher and have been selected on the basis that the researcher is personally aware that the participants are Saudi nationals and own automobile models that fit the criteria for this study. In compliance with the ethical standards of informed consent and protecting the privacy and confidentiality of participants a number of steps were taken (Miller, Birch, Mauthner, & Jessop, 2012). The participants were initially contacted via email asking their permission to participate in the study. Follow-up telephone calls were made in which the reason for the study and the method of participation were explained. The participants were informed that the study would be comprised of a price simulation exercise with a follow-up in-depth semi-structured interview. Once consent was obtained the researcher planned the collection of data by recording (with the consent of the participants) of the interviews and with video recordings of the price simulation exercise with notes transcribing the interviews and price simulation exercises.

Field notes were taken during both the price simulation exercises and the interviews. In this regard field notes are a "written account of the things" heard, seen or experienced and thoughts during "the course of collecting or reflecting on data" (Morse & Field, 1995, p. 112). Field notes are important because leaving important observations to one's memory can compromise the results of the study (Denzin & Lincoln, 2011). The data were kept confidential in that it remained in the researcher's sole possession and the researcher is the only person who had access to it. The identities of the participants were also kept confidential and they were only identified by virtue of symbols (letters and numbers). Although the focus groups opened the consumers up to a breach of confidentiality, it was always understood that the consumers would not be identified in the study and that the participants and the researcher would be known to one another and the focus groups would be open between the participants and the researcher. However, the participants were aware that their identities would not be revealed in the research report.

3.4.1. Data Collection

Material was collected by a two-part method involving two different forms of data from the same participants. The first part of the material collection was a price simulation exercise in which the participants were presented with a flip chart showing the leading car models including Toyota and its main competitors showing current market prices and the prices were in a comparative range:

- Small Sedan: Toyota Yaris, Hyundai Accent, Kia Rio, Chevrolet Aveo
- Medium Sedan: Toyota Camry, Honda Accord, Kia optima, Hyundai sonata
- Small SUV: Toyota Rav4, Hyundai Tucson, Kia Sportage, Honda CRV

The comparative price ranges were intended to ensure that the vehicles were not selected on the basis of price. The participants were required to select a car model, based on their preferred model. Once a selection was made, the participants were asked what they liked about the car and why they chose that car over the other cars. This opened up questions and insight among the group about their preferred model. The researcher opened up discussion with each choice by inquiring of the reasons for the choice and the response to price changes. Other members of the group were encouraged to ask questions of the participant and to describe their perceptions of the choice and response and the participant was asked whether or not he or she were influenced by what the other participants said or asked. Next, the participants were asked to set aside their choices and to reconsider their choices by referring to the flip side of the model which showed marked up and marked down prices of similar models. The prices were changed to observe and discover whether or not the participant switched to another brand or remained with the selected model despite the price change. Again, the participants were given an opportunity to explain why the made the decisions they made and to comment on the decisions that others made. This exercise was followed up by face-face interviews. The Interview was designed to obtain more details about the respondent's real life choice of car model, how they use their vehicle and what price and brand mean to them (See Appendix E).

Although a price simulation exercise is not definitive evidence of how the participant would respond to price changes in reality, it is a method by which dialogue could be opened. More importantly, it provided the researcher with a contextual format in which the participant's potential response to price changes can be derived. In other words, the participant were presented with a real-world context and their instinctive response to selection and subsequent price changes were observed. The participants were presented with a real-world context and allowed to demonstrate what they would do and then questioned to determine from their own perspective, why they made the choice that they made. Thus the validity of their choices during the price simulation exercises was checked via in-depth interview, in which their real world selections and the reasons for their real world selection provides a basis for understanding the relationship between brand and pricing from their own lived experiences. During the simulation exercise and the focus group, the respondent's behaviour was observed and discussed. The results were intended to provide an explanation for what participants do and what they say they did and might do in response to price changes relative to car purchasing behaviour. In other words, the price simulation exercise provided a basis for evaluating potential real-world responses to price changes. The interviews on the other hand provided narratives of what the participants actually did in the real world and helps to explain pass behaviour in a fixed set of circumstances. The price simulation exercise manipulated the circumstances to set up a situation in which prices change once the participants has set his or her sights on a specific model. This is a situation that might or might not have occurred with the participants were shopping for their cars in the real world.

The selection of two material collection processes is consistent with the nature of qualitative studies (Golasfshani, 2003). The use of more than one type of material collection among smaller samples allows for more detailed and more comprehensive material collection and greater details in the material collected (Shaw, 1999). Moreover, qualitative data is open-ended although a bit structured so that the material collected is conducive to the questions researched and investigated (Rapley, 2001).

Semi-structured in-depth interviews were used because they humanize the problem under investigation (Mack, et. al., 2005). The interviews were personal in that only the participant being interviewed and the researcher were present. This was important because it served to provide the participant with an opportunity to describe his or her feelings and perceptions outside of the presence of the other participants. The participants were asked to recall and share their experiences and their perceptions. With respect to the focus groups/price simulation exercises, the researcher went to the consumers themselves to observe their responses to price changes and to engage discussion in which the participants discussed what drove those responses and whether or not they were influenced by other participants' behaviour and input. Therefore the discussions were framed in a way that allows the participants to explain their responses and to offer their own impressions.

The interview questions were open-ended as opposed to close-ended and the participants were not constrained by "yes" or "no" answers which are typically only capable of providing little details. The interviews were semi-structured so that the researcher could go off-script in the event new information arises that was not previously anticipated or if the information revealed in the course of an interview requires further explanation (Wengraf, 2004). The interviews were conducted by virtue of active observations in that the researcher could looked for non-verbal cues indicating whether or not the participant wanted to offer more information than the question sought to acquire or the question as framed needed clarification or follow-up inquiries (Mattson & Roll-Peterson, 2007). This approach will ensure greater authenticity with respect to the interview responses.

After collecting the material via the interviews and the price simulation exercise/focus group discussions the researcher organized the material into meaningful categories for analysis. The researcher was responsible for collecting the material, obtaining consent and safeguarding the confidentiality and privacy of the participants. The researcher was solely responsible for triangulating and validating the results of the material collected and took safeguards against bias by remaining entirely objective throughout the collection and analysis of the material.

3.4.2. Data Analysis

As a qualitative research study, the analysis of the material was conducted by virtue of qualitative data analysis (QDA) (Gibson & Brown, 2009). A QDA involves a flexible approach in which things are noticed, collected and thought about (Merriam, 2009). Things noticed were those items that were relevant and important to the research questions and objectives and necessarily involved observing things during the research process (Ezzy, 2002). Those things that were observed were reduced to field notes. Things were observed, noticed and thought about with respect to the transcribed interviews and the field notes taken during the course of the interviews and the price simulation exercise. In particular, the researcher analysed how the participants responded to the interviews and during the price simulation exercise. The responses to the interview questions were divided in terms of consistencies with one another's responses and discrepancies and with respect to what had been revealed by the respondent during the price simulation/focus group exercise. The material for each question was categorised according to these consistencies and discrepancies. Observations made during the course of the price simulation exercises were noted separately and in a similar way.

The researcher used a coding system for the collection, interpretation and analysis of the material. All variables were noted and coded where necessary. The researcher used a phenomenological reductionist method in analysing the data. The phenomenological reductionist approach permits the researcher to experience the phenomenon studied first hand without preconceived expectations (Jones, 2000). The phenomenological reductionists approach is enabled by the price simulation exercise and the follow-up interview as it allowed me to become directly involved in the experiences of the consumers and their reaction to price changes relative to their automobile of choice in the simulated situation and in the real world experience (Longhofer, Floersch, & Hoy, 2013). By taking this approach the researcher was able to observe and understand the responses of the consumers experiencing the phenomenon researched (Merriam, 2009).

The reductionist approach is simply the separation of the researcher's own personal bias (Schutz, 1970). In this regard, the researcher put aside personal impressions and personal judgment relative to the material and looked for all possible interpretations and explanations relative to the experiences and perceptions of consumers experiencing a price change in their selected car model, and their real world experiences and perceptions of car brands and prices. The material was analysed by reference to the assumptions and theories reported in the literature studied in preparation for this research. The references are properly cited and accounted for in the body of this paper and at the end of the research paper.

As previously noted the QDA process will involve the coding of data for ease of reference and for the purpose of analysing the material. In this regard coding is used for summarizing, synthesizing and sorting out the observations and interpretations made with respect to the data and in this regard, "becomes the fundamental means of developing the analysis" (Charmaz, 1983, p. 112). As Charmaz (1983) points out, codes are used by researchers for pulling "together" and categorizing "a series of otherwise discrete events, statements, and observations" that are identified "in the data" (p. 112).

When the material was collected and observed objectively in line with the phenomenological reductionist methodology, the researcher coded it. In other words, the data was typed, classified, sequenced, processed, patterned and grouped in ways that assembled or reconstructed “the data in meaningful or comprehensible” ways (Jorgensen, 1989, p. 107). The researcher looked for and coded commonalities and discrepancies. When connections were found between the discrepancies and the commonalities another coded category was created. Similarly, where commonalities were found to have no connection, these unconnected commonalities were also coded.

The researcher took an iterative approach to the coding process. The iterative process involves exploring possible meaning to outcomes and generally requires asking what the result says in relation to the research question or questions (Hannes & Lockwood, 2011). In other words, each step was repeated until it was impossible to identify any other probable meaning or explanation for the result. The researcher also took a progressive approach in that each step was intended to ensure that the researcher got closer to the final outcome. In other words, the researcher moved progressively from one outcome to another where connections were made (May, 2002). The iterative progressive approach therefore narrowed down the results. It permitted going back and forth between coded categories and underlying categories until themes until there was nowhere else to go. According to Srivastava & Hopwood, 2009) this approach is what permits the researcher to develop “insight” and “meaning” (p. 76).

The researcher examined and re-examined the material under the iterative progressive approach and in doing so, the researcher progressed toward a more narrow focus for discovering insight and meaning. This is the main objective of the iterative progressive approach to data analysis: the saturation of data analyses until either a point of “redundancy” or a resolution is achieved (Lacobucci, 2001, p. 168). The researcher progressed by asking the following questions during the course of the analysis:

What is the material revealing?

What is it that I want the material to reveal?

What is it that I want to find out?

What is the link between what I want to find out and what the material is revealing?

These questions were asked over and over again until all possible outcomes have been exhausted. The researcher repeated this line of inquiry during the course of the data analysis until such time as there was no gap between what the researcher wanted to find out and what the material was revealing.

The data analysis was also recursive in that the researcher did not follow a single procedure. In other words, if the researcher got nowhere examining one data set, the researcher put it aside and moved on to something else and returned to the data set aside previously (Anzul, Downing, Ely, & Vinz, 1997). The researcher went back and forth between the data. In other words the researcher did not confine the analysis to a fixed strategy and used a process that involved reflection and refinement of the material (Maxwell, 2005).

The researcher also used a holographic approach to the data analysis. The holographic analysis allows for the collation of material so that in the course of the data collection and coding processes, things are noticed, coded, recoded and analysed (Chrzanowska, 2002). By taking this approach, everything noticed, regardless of how small or seemingly insignificant is used to ensure that a full picture emerges (Hesse-Biber & Leavy, 2011). In taking the iterative progressive, recursive and holographic approach to the analysis of the material the researcher asked the following questions:

Are the researcher's conclusions founded on the material collected or on the researcher's own personal information and bias or from the bias and information derived from other sources?

Are the researcher's conclusions informed by the literature?

Can the researcher's results be confirmed by observations the researcher made?

What factors contributed to the observations the researcher made?

Were the materials prioritized and sorted in reliable ways?

Can the researcher trust the information collected from the participants?

Was bias present during observations?

Was there bias involved in preparing the report?

3.5. Trustworthiness, Triangulation, Credibility, Transferability/Replication

3.5.1. Trustworthiness

In validating the results of this study the researcher took steps to ensure the data analysis was trustworthy. In this regard, ensuring trustworthiness means ascertaining that the researcher and others reading the research report feel confident in the results of the study (Maykut and Morehouse 1994). Thus trustworthiness refers to transferability/replication, triangulation, dependability and credibility. In this regard, the researcher used two sources of material from the same participants to triangulate the material obtained in one data source. For example, the price simulation exercise allowed for the observation and discussion of the participants' response to price changes in a pre-selected car model. This material was triangulated by semi-structured interviews in which the participants were able to share their real world experiences and perceptions of their cars and the circumstances in which they were influenced to purchase their cars. Thus the material could be confirmed in that if a participant did not change his selected model when the price changed, this would be consistent with an interview response that quality is more important than price. In order to ensure dependability, credibility and triangulation of the material, bias is controlled for. Bias is controlled for by selecting questions that are relevant to the research objectives, and are expressed in a way that does not suggest the response. The interviews are set up in a way that is informal to ensure that the participants are relaxed and feel free to speak openly and honestly. The focus groups were likewise conversational, informal and relaxed. However, the **researcher** proceeded on the basis that it is not always possible to eliminate bias altogether (Maykut & Morehouse, 1994). Therefore triangulation, credibility and dependability are very important.

3.5.2. Triangulation

Triangulation is achieved by using at least two sources of material. Triangulation is therefore a method by which the material is examined from more than one perspective (Punch, 2009). The researcher's sources of material are comprised of a price simulation exercise and interviews with the same participants to check their reasons for responses to the price simulation exercise during the price simulation exercise and to check their lived experiences in a real world car purchasing scenario via interview questions. The weaknesses with these types of data collection are being able to know if the participants are honest in their responses to both the price simulation exercise and the interview questions. To increase the level of honesty in the course of the price simulation exercise and the interview processes, the researcher established rapport with the participants to put them all at ease and to establish a comfortable environment for open and frank communications. The researcher also had the benefit of the participant's responses to the price simulation exercises which allowed the researcher to triangulate the material obtained in each source of material with the other. For example, if a participant did not change models during the price simulation exercise on the basis that they were loyal to the brand, and subsequently revealed in the interview that they selected their car model despite the price, this would be triangulated material in which one material is confirmed by another.

3.5.3. Credibility

The researcher established a comfortable environment conducive to full and frank disclosure, ensuring the participants were comfortable and felt free to speak unreservedly. The researcher's primary goal was to obtain rich and detailed data. The researcher also looked for inconsistencies between the participants' responses to interview questions and their responses to the price simulation exercise. For example if a participant claimed to have been price sensitive during the course of the interview, the researcher looked to the field notes of the price simulation exercise to see if their responses were consistent with this claim.

Credibility was also checked by observing the extent to which the participants were willing to admit to flawed decisions and particularly unflattering preferences. The researcher took the position that a participant who is willing to admit to unflattering preferences or flawed decisions is most likely an honest participant. In order to safeguard against the risk that the participant was admitting to unflattering factors as a means of hiding or avoiding offering other relevant information, the researcher gently probed the participant to rule out this possibility.

The researcher also used member checking strategies to test the participant's credibility. Informed by Carlson (2010), the researcher used member checking by repeating a participant's responses to interview questions and asking the participant if the researcher understood him/her correctly or if that was what the participant meant to say. As Carlson (2010) suggest, this method of member checking is useful for ascertaining whether or not a response is plausible or accurate.

3.5.4. Dependability

The researcher tape recorded the interviews to ensure accuracy of the data gathered. The researcher also took contemporaneous notes of the price simulation exercise to ensure accuracy of that material. The recordings were transcribed later on from the tape recordings. The researcher also took notes of any observations made during the interviews. These notes, transcriptions and recordings were compared and examined to ensure accuracy. Similarly the researcher video recorded the simulation exercise while taking field notes of observations made during the process.

3.5.5. Replication of the study

When a study can be replicated or transferred to a similar situation with a different population it is more likely to be trustworthy. Like all other qualitative research methods, this study was calculated to construct “rich and complex” data capable of proving an “understanding of a specific social context or phenomenon typically takes precedence over eliciting data that can be generalized to other geographical areas or populations” (Mack et al., 2005, p. 2). It is this characterization of qualitative research studies that makes it capable of replication although usually not with a larger population. However, this study was designed to explore and analyze the experiences of a specific population sample in a specific set of circumstances, the qualitative case study of a small sample size was more appropriate. By taking this approach, the researcher was able to obtain rich and detailed data as opposed to quantity. Moreover, this study is intended to help marketing managers understand the effects of price changes on consumers’ shopping decisions and their perceptions of brand quality and value, the results of this study can be transferred over to those situations and provide a guide for formulating price management strategies. This study is therefore, highly replicable.

3.6. Ethics

The purpose of ethical standards in research is to safeguard against the risk of harm to those who participate in the research (Coldwell & Herbst, 2004, Kuiper, 2009). In this regard, there are two main ethical issues: protecting the participants' rights to privacy and confidentiality and ensuring that they do not suffer harm (Walsh & Wigens, 2003). Another ethical issue is ensuring that the respondents are voluntarily participating in the research study and do not feel forced to do so (Nargundkar, 2003). In ensuring voluntariness, it is necessary to ascertain that the participants are aware of the purpose of the study prior to obtaining their consent (Bryman & Bell, 2007; Smith & Albaum, 2005).

None of the participants are under the age of 18 and therefore were competent to give their consent to participate in the study. The main ethical standard was therefore to ensure that all participants are freely and voluntarily participating in the study and do not feel forced. In this regard, the participants were put in a position where they made informed consent. The researcher made certain that the participants knew of the purpose and nature of the study and their roles in the study and ensured that the researcher received their consent. A letter explaining the nature of the study and what it intends to achieve is sent to the participants with a consent form for them to sign (See Appendix A). The letter informed the participants of the nature of the price simulation exercise and the follow-up interviews that they will be required to participate in. They were also informed that they have the right to consent or refuse to consent and that even after consenting they have the right to withdraw from the study at any time (See Appendix B for the Consent Form). Each of the participants were invited to attend a neutral place and were given the opportunity to choose a time and date that was more convenient for the group as a whole.

The researcher also guaranteed the participants that their identities would be kept private and confidential although they would be known to each other and the researcher in the focus groups. The researcher gave the participants representative letters or numbers for identification purposes to protect their privacies and therefore their identities. The researcher also stored the data collected from the interviews and the price simulation in my own personal possession ensuring that no one but me had access to the data. The researcher will keep the material for 6 months after the completion of this study and will then destroy the notes and transcriptions by shredding. The tape recordings will be erased.

There is no risk of harm to the participants. The only risks are associated with the discomfort and inconvenience that the participants may have relative to scheduling and participating in interviews and simulation exercises. There are no physical or serious mental risks. The minimal risk associated with discomfort or inconvenience has been dealt with by scheduling the interviews at the convenience of the participants. The researcher also ensured that the environment was friendly and relaxing. In addition, no compensation was offered to safeguard against the risk of involuntary participation in the study.

Chapter 4 – Results and Analysis

4.1. Introduction

In the previous chapter the researcher explained and discussed the research methodology and the rationale and justification for the research methods. The researcher also explained how the researcher would analyse the material and ensure trustworthiness and compliance with ethical standards. In this chapter the researcher will present the results and the researcher's analysis of those results. This chapter is therefore divided into two main parts. The first main part of this chapter presents and discusses the results of the researcher's empirical study and the second main part of this chapter presents an analysis of the researcher's results.

It is important to note at this stage before presenting the results that Toyota is a leading name in the automobile industry with a worldwide reputation for offering superior quality vehicles that lives up to its QDR mission. In this regard, Toyota offers a wide variety of passenger and commercial vehicles that satisfy the needs of a vast majority of consumer needs and preferences. Abdul Latif Jameel (ALJ) is the largest independent distributor of Toyota in the world. ALJ's has earned a good reputation in this regard in the world's automobile industry.

Price changes are seen as a critical decision for any commercial entity. It becomes even more critical when changes are for a high involvement product with a large life span. ALJ-Toyota's marketing team is frequently challenged to make decisions on price changes due to the fluctuating Yen prices and changes in the local and international market. ALJ intends to conduct a study to better understand the changes in consumer behavior and attitudes led by the price changes of the key vehicles offered in KSA.

The objectives of this study can be stated as follows:

To gain a clear and concise understanding of:

- How pricing impacts consumer behaviour when buying a car.
- How price changes affect the brand equity of Toyota in terms of (brand awareness, brand association, brand loyalty, and perceived quality).
- Whether or not consumers be easily swayed to purchase other brands in the event the price of Toyota or its competitors' vehicle increases or decreases.

The price simulation exercises and the follow-up interviews were conducted to abstract the following information which is derived from the conceptual framework for this study:

- **Brand loyalty:**
  - A significant increase / decrease in the price of Toyota vehicles will make its target consumers become more loyal to the brand.
- **Brand Awareness:**
  - A significant increase / decrease in the price of Toyota vehicles will increase the target customers brand awareness.
- **Brand Perceived Quality:**
  - A significant increase / decrease in the price of Toyota vehicles will increase the target customers' perceived quality of the brand.

- **Brand Association:**

– A significant increase / decrease in the price of Toyota vehicles will increase the target customers association with the brand.

The sample population consisted of 6 focus groups and each group consisted of Toyota and its competitors' car owners between the ages of 23 and 45. All of the participants were either students, professionals or working. Each of the participants had a Toyota or one of its competitors as a primary car and paid for the car either in cash or in instalments. The participants were divided into 6 groups of approximately 3-5 each. Three groups were from Jeddah and three groups from Riyadh. Each of those groups were divided into three additional groups: small sedan, medium sedan and small SUV. Each group was mixed in terms of marital status (see Table 1 below). The purpose of these demographics was in recognition of the fact that regardless of cultural or national cohesion among a particular market segment, there are other factors including purchasing power, family dynamics, profession and other factors that might influence consumption behaviour. Therefore, these demographics are important for analysing factors such as price sensitivity and its impact on brand preferences. However, the results indicate that there were no significant differences in terms of workers and professional in registering price sensitivity. The results of the study did however find, that students were more amenable to small sedans while married participants were more amenable to medium sedans and SUVs whereas unmarried individuals were amenable to all three groups of models. In other words, students who are usually either working part-time or are paying for studies although working full-time do not have the purchasing power of full-time workers or professionals. Moreover, students have limited needs in terms of the use of a vehicle and therefore based on their lower purchasing power and limited needs they are more price sensitive and will usually resort to smaller sedans that are lower on gas and lower in terms of purchase price and maintenance. However, students do have brand preferences but are more likely to settle on price.

It was also determined that married participants who were working or professionals were more amenable to medium-sized vehicles and small SUVs although they were more price conscious than single professionals or working singles. Although brand preferences were expressed, the married individuals were more price conscious than those who preferred small SUVs and less price conscious than students preferring sedans. Small SUV owners were more brand conscious and less price conscious than any group regardless of marital status. However, this group was largely made-up of workers or professionals who were single although one student and several married individuals were a part of this group. In the end, it can be concluded that for the most part, individuals with more disposable income, fewer obligations are more inclined to be loyal to a brand and are not as price conscious as those with more financial obligations such as tuition and family dependents.

Table 1

Summary of Participant Profiles

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
City	Jeddah	Jeddah	Jeddah	Riyadh	Riyadh	Riyadh
Segments Ownership	Small sedan	Medium sedan	Small SUV	Small sedan	Medium sedan	Small SUV
Models Ownership	Yaris (2), Rio, Accent, Aveo	Camry (2), Accord, Optima, Sonata	Rav4, Tucson, Sportage, CRV	Yaris (2), Rio, Accent, Aveo	Camry (2), Accord, Optima, Sonata	Rav4 (2), Tucson, Sportage, CRV
Ages	23-35 years	23-40 years	28-45 years	23-34 years	23-40 years	28-45 years
Occupation	Students / Working	Students / Working	Working Professionals	Students / Working	Students / Working	Working Professionals
Marital Status	Married (2), Unmarried (3)	Married (3), Unmarried (2)	Married (3), Unmarried (1)	Married (1), Unmarried (4)	Married (2), Unmarried (3)	Married (3), Unmarried (2)
Vehicle Usage	Primary Car	Primary Car	Primary Car	Primary Car	Primary Car	Primary Car
Purchase Terms	Cash (2) Installments (3)	Cash (2) Installments (3)	Cash (2) Installments (3)	Cash (3) Installments (2)	Cash (3) Installments (2)	Cash (4) Installments (1)

4.2. Results

Focus Group Price Simulation Exercise

Focus Group 1:

Group 1 was comprised of individual car owners from aged 23-35. Two were married and three were not. One married and one unmarried car owner and were all small car owners: 2 Yaris, 1 Accent, 1 Rio and 1 Aveo. The cars were primary cars and one married and 2 unmarried individuals financed their cars (1 Yaris (unmarried), 1 Rio (married) and 1 Accent (unmarried). All of the cars were the primary cars of the individuals in Group 1. During the price simulation exercise, one Yaris owner and the Accent owner, selected the Yaris and Accent in the price simulation exercise, the Aveo and Rio owners selected the Yaris and one Yaris owner selected the Accent. However when the prices of the vehicles were marked down in alternating sequences the Accent owner and one of the Yaris owners did not switch models, while the other owners selected cheaper cars. The most popular selection was the Yaris and the Accent. When the prices were marked up, one of the Yaris owners and the Accent owner remained with their selections although the prices were higher than the other models.

The discussion revealed that the small sedan owners in this group were for the most part price sensitive and if they could have afforded a Yaris or Accent, that would have been their preferred choice. For example, the Aveo owner stated:

> I would have gladly switched over to a Yaris, if the price was right. The reality is however, when the price went up, I could not in all honesty afford it. It is my first choice though.

The Accent owner stated that his initial reaction to the price mark-up was to exchange it for another model. But after giving it some thought, in reality, had he been confronted with a mark-up of the Accent, he most likely would have found a way to pay for the vehicle. He added:

> My Accent is me and I am my Accent. I just can't imagine driving another car and whatever it takes, I will make sure that I am behind the wheel of an Accent.

The Rio owner stated that it would be nice to own a Yaris, because it is a Toyota, However:

> …A car is a car. I want to get from point A to point B and a Rio gets me there just as well as a Yaris, so why pay the extra price?

Focus Group 2:

The second group consisted of five individuals between the ages of 23-40, with 2 owning a Camry, one an Accord, one an Optima and one a Sonata (medium sedans). Three were married (one owning a Camry, one an Accord and one a Sonata) and two unmarried, one owned a Camry and one an Optima. One Camry, the Optima and the Accord were financed. Each of the vehicles were the owners primary vehicle.

In the first part of the price simulation exercise, the Optima, (2) Camry and (2) Accord were chosen. It is interesting that the Sonata was not selected by the participants. However, when the prices changed so that each vehicle had either a lower or higher price, the participants who had selected the Camry and the Accord did not change their cars instinctively. After some discussion between the group, one Camry was switched out for a cheaper Optima. The participant making the change stated:

> As much as I love my Camry and as much as I would like to always have a Camry, I have to admit that if I were shopping for a Camry and I could get an Optima much cheaper, I would have to switch…although I would prefer not to.

A Camry owner who had selected a Camry and had decided to remain with the Camry despite the availability of cheaper models stated:

> I would walk on hot coals with no shoes to own a Camry. I would not change for another car no matter what.

The group was asked why they had passed on the Sonata. There was a general feeling that once Toyota or Honda was available for a similar price, they would rather go with the Toyota or Honda. When asked why, one participant stated, "well Toyota and Honda are more trusted brands". Another participant stated, "the Toyota and the Honda, have more quality and are more recognized." Another participant stated:

> …the only reason, I do not own a Toyota is because I cannot afford one. I own a Sonata because it was cheaper for me. If the price goes up, if I can't afford a Toyota, I'm going to be without a car. A small sedan is probably an option, but I have a big family and the small sedan is no good. Half my family will have to walk or hike a ride or catch a taxi.

Focus Group 3:

Group 3 consisted of 3 married and 1 unmarried individual each of which owned a RAV4, a Tucson, a Sportage and a CRV. The owners were between the ages of 28-45. The RAV4, the CRV and the Tucson were paid for by instalments and the small SUVs were the owners' primary car.

In the first part of the price simulation exercise, 2 owners selected the CRV and 2 owners selected the RAV4. When the price changed, only one small SUV owner relented and selected a Sportage offered at a much lower price. This respondent owned a Sportage in the real world. The researcher pointed out that the Tucson owner stuck with his choice of a CRV although in reality he owned Tucson. He was asked why he purchased a Tucson, if he would keep a CRV despite its higher price. The respondent stated:

> When I purchased the Tucson, I paid in cash and did not want to be burdened with the financing of a vehicle. However, I have since had second thoughts. I drove my friend's CRV and I am now at a point where I would go the extra mile to own one. It's a good ride and it looks much better on me than the Tucson.

The RAV4 owner stated that he was attached to his RAV4 and that it is everything he expected in a SUV and more. He would not trade it for another vehicle. According to this RAV4 owner:

> …the price would have to reach the sky and even then, I might sell my home to own a RAV4. I don't care if it's more expensive than a Mercedes. This car is a part of my life. It's become my family.

Focus Group 4:

Focus Group 4 represented the small sedan owners in Riyadh compared to Group 1 from Jeddah. The individuals in this group were vastly similar to the owners in Group 1 in that they were between the ages of 23-34 and owned the Yaris (2), Rio (1), Accent (1) and the Aveo (1). Four were single and one was married. Two paid for the vehicles by instalments. The results of this focus group were vastly similar to the small sedan owners in Group 1, except that the Aveo owner was committed to the Aveo throughout the exercise.

The Aveo owner spoke of trusting the brand and that he could not see himself driving another vehicle. Similarly, one of Yaris owners who stuck with his choice of a Yaris throughout the exercise stated that he trusted the brand and was comfortable with it and couldn't switch, but would switch if the car was priced excessively high. The Accent owner also demonstrated some reluctance but stated that:

> …I have a difficult time justifying purchasing any car when another car can be purchased at a lower price. In this day and age, you have to be economic.

One Yaris owner who had remained loyal to the Yaris asked:

> When you say you have to be economic, doesn't that include choosing a car that is low on maintenance and gas?

The Accent owner replied:

> That might be so. But when I am buying a car, I think about what I can afford to spend for the car at the time of making the purchase. Everything else is an afterthought.

Focus Group 5:

Focus Group 5 consisted of Riyadh residents who owned medium sedans Camry (2), Accord (1), Optima (1) and Sonata (1). The car owners in this group were between the ages of 23 and 40 and 2 were married and three unmarried. Two paid for the cars by instalments (one Camry owner and one Sonata owner). This group initially selected their own car models during the first phase of the price simulation exercise. However when the prices were marked up, while other models were marked down, all but a Camry owner and the Accord owners switched to cheaper models. The Camry owner who had not changed models stated:

> …what you lose in purchase price, you make up for in beauty, comfort, class and maintenance costs.

The Sonata owner stated that the Sonata was low cost in terms of mileage and maintenance and that while he might not relent if the price change was not drastic, a significant price change would have to be weighed against the cost of maintenance on a cheaper model. The Accent owner expressed the same sentiments, as did the other Camry owner. The Optima owner stated:

> I love my Optima, but with the price of the Optima going up and the Camry going down, I would be foolish to choose the more expensive Kia over a cheaper, equally good Toyota.

Focus Group 6:

This small SUV group from Riyadh consisted of 2 RAV4 owners, one Sportage owner, one CRV and one Tucson owner. The owners were between the ages of 28 and 45 years old. Three were married and two were unmarried. Only one had paid for their (RAV4) by instalments.

The results of this focus group demonstrated fierce loyalty to their models. None of the participants switched brands when the prices changed, although there was some hesitancy on the part of the Tucson owner. The Tucson owner stated:

> …I always thought I would prefer to own a Honda or a Toyota. However, now that I've owned a Tucson, it has become like my favourite pair of shoes. It has been good to me and I cannot image trading it for another model. I would go for a Tucson over a RAV4 or a CRV any day of the week, provided the price change is not too drastic.

The CRV owner agreed, stating that it would take a significant and sudden price increase for him to choose another model over his "beloved CRV". The RAV4 owners expressed the same sentiments with one adding:

> …I couldn't afford my RAV4 outright and just had to have it. I'm pretty sure, if the price was higher, I'd have financed it all the same.

The results of the study indicate that:

- Vehicle price is among one of the top 5 purchase drivers for the 3 segments investigated.

- Each segment of automobile consumers demonstrated both brand loyalty and price sensitivity. Although there were differences in terms of purchasing power as described previously.
  - Higher price sensitivity was observed among small sedan buyers where their choice of brand was driven by price.
  - Medium sedan buyers' purchasing decision was driven by brand i.e. Honda
  - Small SUV segment had an interesting mix of customers who were driven by the new and unique design of the Korean competition.
- Most Preferred Brand in each segment was:
  - Small Sedan: Toyota Yaris (Preferred for Toyota Value i.e. QDR)
  - Medium Sedan: Honda Accord (Influenced by Made in Japan)
  - Small SUV: Tucson or Sportage (Primarily driven by new design)

The results of the price simulation exercise and the focus group discussion revealed that small sedan owners in both cities demonstrated a high loyalty to brand but were highly price sensitive as a result of their respective purchasing powers. The medium sedan owners from both cities demonstrated low to medium loyalty to brand but were highly sensitive to price although there was a bias in favour of Honda Accord and the Toyota Camry. The small SUV owners from both cities demonstrated a medium loyalty to brand and medium price sensitivity and brand preferences were aligned with the design of the vehicle (See Table 2 below for a summary of the results of the price simulation exercise and the follow-up interviews).

Table 2

Summary of Price Simulation and Follow-up Interview Results

Brand Loyalty	**Small Sedan Owners**	**Medium Sedan Owners**	**Small SUV Owners**
HIGH	**5**	3	3
MED	1	4	4
LOW	4	3	2

Price Sensitivity	**Small Sedan Owners**	**Medium Sedan Owners**	**Small SUV Owners**
HIGH	6	6	4
MED	1	1	2
LOW	3	3	3

Overall, the results of the study found that a significant increase or decrease in price may or may not impact brand loyalty. The study results also demonstrated that a significant increase or decrease in price may increase brand awareness. However a significant increase in price is expected to increase perceptions of brand quality while a decrease in price raises concerns about perceptions of brand quality. The results of the study also found that a significant increase in price also negatively effects brand association while a significant decrease in price can have both negative and positive effects on brand association (See Table 3 for a summary of the findings).

Table 3

Reactions to Price Change relative to Brand

	Brand Loyalty	Brand Awareness	Brand Perceived Quality	Brand Association
Significant Price Increase	May or May not Change	Increase through +/- WOM	Expected to increase on price increase	Effects Negatively
Significant Price Decrease	May or May not Change	Increase +ve WOM if backed by credible claim	Raises concern on price decrease	Can effect both positively and negatively

Interviews

For a majority of the participants, the interviews demonstrated that the car means more to them than a mere mode of transportation. Car ownership also represents a statement relative to the lifestyle, status and personality of the owner. The car also represents freedom of mobility, relaxation and comfort. A majority of the participants explain that when making the decision to purchase a car, they heavily consider the purpose and occasion for which the car is sought. Moreover, the consumer's age and the life phase is the primary influential factor when considering the type of car to purchase and drive.

The results of the study indicate that there were a number of factors weighed in the purchase of a small sedan. There were five deciding factors which can be summarized as follows:

- The price of the vehicle.
- The practical use of the vehicle.
- Fuel economy.
- Maintenance.
- The design of the vehicle.

One Yaris owner stated that the "maintenance of this car is very cheap and easy". Another small sedan owner stated that the car had a "suitable price and is practical as well. Its parts are okay and economical as well". Another small sedan owner noted that the vehicle was "compact hence good for driving". Even one customer who was loyal to the Toyota brand informed that his preference for Toyota was based on the fact that:

> 1st, it's from TOYOTA, 2nd can be sold at any time in good price, 3rd maintenance is not expensive, 4th good shape, 5th very strong car.

The most important usages of the small sedan owners was for traveling to and from work or university. It was also noted that the small sedan was used for travelling in the city. Another usage cited was for visiting friends and family members in the city and yet another usage was for completing household errands. One small sedan owner noted that the car is used "especially for the crowded areas". Another stated the "most important thing is work".

For the medium sedan owners the most common reasons for purchasing the medium sedan are:

- The convenience of driving in the city.
- The car has a good design and size.
- The price is convenient.
- It is economical on fuel.
- It is easy to maintain.

One Toyota Camry owner stated that the reasons the car was purchased are "1st, it's from Toyota, 2nd can be sold at any time in good price, 3rd maintenance is not expensive, 4th good shape, 5th very strong car." Another medium sedan owner stated that the car was purchased because "it looks really good and classy. It is really catchy. I loved the way it looked and I don't care much about its specifications". Another medium sedan owner stated that the car was purchased because of the price.

The usage of the medium sedan is also similar to the usages for the small sedan, but slightly different. The main usages were:

- Travelling to and from work.
- Going on long drive.
- Visiting friends and family members in and outside of the city.
- Carrying things.
- For shopping trips.

A Toyota Camry owner stated that the car was used for going to and from work and for long weekend trips. A majority of the medium car owners used the car for going to work and one user said that the car was used for both going to and from work and for "taking the children to school".

The reasons cited for purchasing a small SUV are as follows:

- The price of the vehicle.
- Convenience of the vehicle for driving around the city compared to the larger SUVs.
- The design of the car.
- Fuel economy.
- Car size.

As with all other car owners price was the most important factor in purchasing the vehicle. As one SUV owner noted:

> The reason I chose my car was the initial price, as well as the availability and pricing of spare parts.

Another SUV owner noted that “Parts being cheap and available is best thing about Toyota.” Other SUV owners noted comfort and design. However, the most prevalent reason was the initial price of the vehicle and in some cases the price and availability of parts also factored in. Therefore price is a main and the cost of maintenance are two significant factors for small SUV owners as well as for the sedan owners.

As with small and medium sedan owners, the small SUV is primarily used for travelling to and from work. It is also used for travelling long distances, for visiting friends and family members in and outside of the city, carrying items and for large gatherings. One SUV owner stated that “I use it to get to any place”. All indications are therefore that the SUV is more flexible than the medium sedan which is more flexible than the small sedan, yet purchase price is the main factor for those who purchase their vehicles. For some SUV owners, price is measured in terms of long-term cost of maintenance and value. For example, one RAV4 owner from Jeddah stated that:

> …For me, the RAV4 was more expensive than a number of comparable brands on the market at the time. However, when I think about the design of the car, the durability of the car, the years of enjoyment, the availability of parts, low maintenance and so on, I would rather pay upfront to save cost in the long-run.

Small sedan owners were not as concerned about the cost of maintenance and comfort. One small sedan owner stated that his concern was:

> …what is coming out of my pocket when I drive away with the car. If it leaves me completely broke, I can’t be concerned about the cost of maintenance and gas. The car will just be parked. So of course, I want to

> purchase a car that doesn't leave me in ruins, so I go for something within my budget at the time of purchase.

One Yaris owner stated however, that with the Yaris, he gets quality, low maintenance and brand all for an affordable purchase price. The Yaris owner stated:

> The car is not expensive compared to other cars. In addition, it is cheap to maintain, low on gas and it's a Toyota. So not only do I get quality for an affordable price, I also get long-term value in gas and maintenance.

The other Yaris owner pointed out the car is not only affordable, but it is durable and "I use it for everything. It takes me wherever I want to go and it does not wear me out financially".

This was a theme displayed by the medium car owners who demonstrated fierce loyalty to the Camry and the Accord. The Optima and Sonata owners were more concerned with pricing and one indicated that they would have purchased a Camry or an Accord, if they could have afforded it. The Optima owner stated:

> When I purchased my Optima, I really wanted to purchase an Accord. You know, it's not just the name. It's also the way it looks and feels. But, it was out of my reach and I settled for the cheaper car. Now I am used to it and I don't know if I still feel the same way about the Accord being a superior car.

The small SUV owners demonstrated a greater degree of brand loyalty. While the RAV4 and CVR owners explained that they purchased their vehicles for its reputation and design, the Tucson and Sportage owners were not as committed to their brands. Price had been the primary factor. Each would have preferred another SUV model, but were constrained by pricing. The Sportage owners however reported that he was not at all settling for the Sportage. When he ruled out the possibility of purchasing a more expensive vehicle, he immediately set out to find a Sportage. He added:

> …It's not as if, I went into the showroom looking for a Mercedes or a Land Rover. I went into the showroom looking for a Sportage or something of a similar design and similar price. I had seen the Sportage on the road before and I was pleasantly surprised to find that it was affordable.

Observations

The price simulation exercise indicated that for the small sedan price changes, the Toyota Yaris was the most frequently preferred vehicle among the small sedans used in the exercise. In this group, participants were presented with the Toyota Yaris and rival small sedan all marked at similar prices to observe brand loyalty. The presumption was that since there was no significant differentiation in prices, participants would simply choose the preferred brand. Each participant was invited to make his/her selection one at a time so that the researcher could record the participant's selection in field notes for comparisons with the results of the interviews. In the discussions that took place during the price change simulation exercised, the participant could be asked about the initial selection to determine whether or not the selection was based on brand loyalty or purely on price.

Once selections were made and duly noted, the second part of the exercise commenced in which the participants were shown a chart in which the vehicles previously selected were shown with different prices. Again, the participants' were asked to look at the prices of their selected models and to make a decision as to whether or not they wanted to confirm their selection or to change it and if so, make another selection. These responses were also observed and noted in the field notes for follow-up interviews.

The members of the small sedan groups, demonstrated significant price sensitivity as a result of lower purchasing power as indicated in the follow-up interviews. Despite an initial preference for the Toyota Yaris, participants were willing to consider and select a different vehicle at a lower price when prices changed. For example one participant was initially hesitant, refusing at first to switch vehicles once presented with the price change. However, when asked if he had made up his mind, he sighed and then made another selection, although a bit hesitantly. This indicated that the respondent did not want to select another vehicle, but after thinking about the price change gave up his preferred vehicle for a cheaper one.

Taking into account that this was merely a price simulation exercise and the participant was not bound by his choice, the fact that he made the change in a simulated exercise indicates that he was being honest about this decision. Other participants who initially selected the Toyota Yaris and then changed their selection without hesitating once prices changed alto provides authenticity to the exercise because participants were not bound by their selections and had nothing to lose by making a different choice. Had the participants retained their initial choices after experiencing a price change they could have been asked during the follow-up interview to explain their adherence to the sedan despite the price change.

The price simulation exercise was followed up with all the other groups in the same manner used in the small sedan groups. In this exercise, the medium sedans were introduced in the price simulation exercise at their actual prices. Among the medium sedan users the price simulation exercise results found that the Honda Accord was the most preferred medium sedan which was cheaper than the cars of competitors. However, brand loyalty was lowest when the Accord was offered at similar price to that of a similar model. There was some hesitancy among participants when confronted with similar priced medium sized sedans. All indications are that brand loyalty can be impacted by price changes for medium sedan users. However, one participant noted during the interview, that he was committed to the Accord because he liked “the shape and design” and that it is a “strong car” and he trusted “Japanese cars”. Another participant indicated during the price simulation exercise as she decided to stick with her choice of Accord despite the price change “Accord is the best because it lives longer”. Thus all indications are that while initial price changes can impact consumer choices and purchasing behavior, long term value is considered.

The small SUV segment demonstrated moderate reaction to price change and was therefore classified as having medium price sensitivity. It was observed that price changes only impacted two decisions although, other participants appeared to be hesitant but kept with their initial choices. Follow-up interviews demonstrated that the vehicle design had a significant influence on the brand choice. Toyota’s Rav4 was perceived as the most pragmatic choice considering the functional benefits. For example in the follow-up interview, one participant explained his reason for selecting the RAV4: “…the reason I chose my car was the initial price, as well as the availability and pricing of spare parts”. However, one participant revealed in the interview that RAV4 was chosen simply because it “is a Toyota” demonstrating brand loyalty can override price changes.

4.3. Analysis

It is important to note from the outset that not all consumers share the same outlook and perspectives relative to price and brand quality. The 6 focus groups indicated that although the participants were from the same two cities and were all Saudi Arabians, they are all different in terms of how they view brand quality and price as indicated by their ownership of different brand models and sizes. Recognizing this, Toyota, Kia, Honda, Hyundai and Chevrolet engaged in market segmentation offering small sedans, medium sedans and small SUVs to Saudi Arabians.

The emerging themes in the results can be summarised as follows:

1. Price in not only purchase price, but includes quality, maintenance, gas mileage and usability.

2. Price is more important to small sedan owners than medium sedan owners and more important to medium sedan owners than small SUV owners.

3. Comfort and style is more important to medium sedan owners than to small sedan owners and comfort and style is more important to small SUV owners than to any of the other groups.

4. Small sedan owners are more likely to switch for a cheaper car when prices change, regardless of how small.

5. 5. Medium sedan owners are less likely to switch car brands when prices are comparatively higher, unless the price is comparable to a superior model.

6. Small SUV owners will likely only change car brands if the increase in price is particularly high and cannot be justified.

Research findings are consistent with Yoo, et. al.'s (2000) contention that brand equity includes brand loyalty, brand associations, brand awareness and perceived quality of the brand. Thus the results of this study demonstrate that Toyota invokes associations and expectations from its customers that resonate in loyalty and quality perceptions. In this regard, where a price increase is perceived as necessary or follows from a good and acceptable reason, consumers' perception of the brand quality will not be altered. In fact, the increase in price, if properly represented can be seen as a reflection of improved quality and therefore improved brand quality. Conversely, if a price increase is not presented with good reasoning, it can negatively impact perceptions of brand quality.

Research findings indicate that Saudi automobile consumers will form brand loyalty in a way described by Jenkinsin (1995, p. 116). According to Jenkinsin (1995), brand loyalty is "the reflection of a customer's subconscious emotional and psychological need to find a constant source of value, satisfaction and identity". However, as my study demonstrates, value, satisfaction and identity means different things to consumers depending on their purchasing power. Thus market segmentation can inform pricing strategies (Mills, 2002). For example, the consumer with a greater degree of purchasing power will value design as seen with the SUV owners in as much as they value price. Likewise, those who purchase medium sedans will value looks as much as they value price. However, with the small sedan owners, these consumers value price first and foremost and this appears to be coupled with other price saving factors such as fuel economy and the cost of maintenance. The different attributes of the consumers in this study's sample and Toyota's product differentiation reflects a strategy informed by market segmentation.

Using theories of consumer behaviour informed by market segmentation analysis, it can therefore be concluded that the small sedan users are the most highly price sensitive consumers and these are the most difficult segment to keep satisfied and to establish brand loyalty with. Anderson and Kumar (2007) report that converting price-sensitive customers into loyal customers can be accomplished by brand extension techniques. Obviously, brand extensions are used for satisfying the needs of price sensitive customers (Kepferer, 2012, p. 512; Zhou and Belk, 2004; Hutton, 1997; Cobb-Walgren, Ruble and Donthu, 1995; Pitta and Katsanis, 1995). It can be argued that, price increases will not have this desired outcome as it is inconsistent with the needs of the price sensitive customer.

Demonstratively, Toyota's desire to remain a significant force in the automobile industry in Saudi Arabia necessitates that it establishes and maintains brand loyalty among all of its customers. Price changes that reflect an increase can negatively impact consumers with lower purchasing power and this category of consumers were found to be among Saudi citizens who were more inclined to purchase the small sedan. What this research was able to learn from observing the behavior of Saudi consumers in a price simulation exercise and from their own reports in follow-up interviews is that Saudi consumers who are price sensitive are willing to compromise on quality for price and are conscious of long-term value as well. A decrease in the price of the SUV models can have a similar impact among the SUV purchasers who are not price sensitive. However, this group of Saudi consumers is more aware of quality and associated quality with brand and brand value with price. There appeared to be a contention that price increases may indicate brand value as indicated by the simulation exercise where some SUVs were swapped when prices changed to reflect an increase over the preferred brand. Likewise, where price changes indicate a drop in the price of the initial preference, some of the members of the SUV group were willing to consider a more expensive SUV and some actually swapped for a more expensive SUV. Thus the management of price changes must be done in a way that ensures brand loyalty. The reality is, brand loyalty is very important as it can impact what consumers say about the brand and this can have an impact on the number of new costumers that are attracted to the firm's products (Yee and Sidek, 2008; Reichheld and Sasser, 1990). This is confirmed by theories of consumer behaviour which in turn informs marketers engaged in market segmentation.

As demonstrated by this research study, brand loyalty can be greatly impacted by price whether prices increase or decrease and depending on the consumers' income or purchasing power. During the price simulation exercise and the subsequent interviews it was revealed that consumers will compare the price of a brand with that of other brands of a similar nature. These findings are consistent with the findings reported in the literature (Keller, 2003; Evans, et. al., 1996). The results also indicate that SUV owners who pay a premium price for a SUV, came away feeling satisfied in the knowledge that they purchased what they perceived to be a quality product. As reported in the literature these kinds of outcomes can build brand loyalty (Yee & Sidek, 2008; Hutton, 1997).

The results of this study indicate that Toyota has no difficulty with creating and sustaining brand awareness and brand association. The sample population used in this study demonstrated specific positive feelings, experiences, attitudes and perceptions relative to Toyota. These are the cornerstone of brand association (Kotler & Keller, 2006). In some cases the Toyota owners associated the vehicle with status and identity. Market segmentation as informed by theories of consumer behavior informs that product segmentation is a method by which brand owners communicate with consumers (Franzen & Ernst, 2008).

Brand quality is also demonstrated through the participants of this study. Brand quality is derived from the physical attributes of the product in terms of its appearance and design but can also include brand value, store appearance and price (Steenkam, 1997;

Zeithaml, 1988). These are known as intrinsic and extrinsic values. As found in this study, it is important to maintain a high quality of the brand as this would impact the consumer's willingness to pay a premium price for the brand (Hutton, 1997; Sethuraman & Cole, 1997).

The results of this study demonstrate that Toyota has loyal customers that are price sensitive and rely on Toyota to fulfill those needs. Toyota has demonstrated that it can and has met those needs via by providing the low cost, and moderately priced small and medium sedans. This is known as market segmentation in which the needs of the customers are identified and the conditions that influence their purchasing behavior are identified and responded to (Clemons & Webber, 1994). Toyota has also identified its consumers that care more about design, strength and travel capacity as well as luxury, comfort and status symbols as manifested by its SUVs. The SUV appeals to the status symbol thinker who is less concerned about price as long as the SUV meets those personal needs and desires. Toyota has obviously established its brand so that it can be distinguished from other brands in Saudi Arabia.

According to The Boston Consulting Group (2012), Toyota targets a market segment that is not price conscious. However, the results of this study demonstrate that all of the consumers owning Toyota models are concerned with price although the SUV owner is less price sensitive than the other Toyota owners. The fact that Toyota markets the low cost sedans demonstrates that it does target price sensitive consumers. Market segmentation is demonstrated by the fact that the consumers participating in this study revealed that they can be grouped into three different groups with different needs and desires when purchasing motor vehicles. The three groups are consumers who desire a car that is cheap, efficient and has brand equity. Another group is the consumer that wants cars that have low maintenance, can serve its lifestyle, parts are readily available and the car is a known brand. The other group of consumers are those who are more concerned with class and looks. For example, one participant informed that:

> I chose Optima because it looks really good and classy. It is really catchy. I loved the way it looked and I don't care much about its specifications.

Market segmentation by all of the brands used in this study demonstrates that these brands do target these needs and desires. However, price changes may determine how those needs and desires are modified.

The results of this study also demonstrate that the impact of price changes on consumer preferences and perceptions of brand correspond with the degree to which the consumer is price sensitive or not price sensitive and these trends usually correspond with the value of the cars that they own. These findings are consistent with reports in the literature. For example, Tybout and Calder (2010) report that consumers are classified as either price sensitive or non-price sensitive and that once we classify consumers in this way we can understand the importance of price changes on their purchasing behavior. However, it has also been reported in the literature that consumers with brand loyalty are less sensitive to price changes (Jensen and Drozdenko, 2008; Yoon and Kim, 2000; Rotzoll, Haefner and Hall, 1996, p. 96; Reichheld and Sasser, 1990). However, the results of this study found that this is only true with respect to consumers who purchase slightly more expensive vehicles such as the SUVs and is less true for medium sedan owners and even less true for small sedan owners. In fact small sedan owners were more likely to change their choice of car for a cheaper car.

The small sedan owners' behaviour when confronted with a change in price is consistent with findings reported by Hoyer and MacInnis (2010). According to Hoyer and

MacInnis (2010), even where consumers have established brand loyalty and are prepared to pay a premium price for their preferred brand, they will consider the price of other similar products when confronted with a price change.

The results of this study indicate that price is a factor that figures into a majority of the consumers' purchasing decisions although its importance varies according to purchasing power and personal needs and desires. As Zeithmal (1988) cautions, a sudden change in price either by increasing or decreasing the price of a specific product can either create a positive or negative response from consumers. It has been reported in the literature that while offering lower prices can appeal to price sensitive consumers, the persistent offering of lower prices can have an adverse impact on the consumers' loyalty to the brand (Indrayani, Siringoringo and Saptariani, 2008; Yoo, Donthu and Lee, 2000). It therefore follows that price managers are required to know their costumers and the conditions in which it is appropriate to change prices while at the same time maintaining and creating brand loyalty. In other words, it is necessary for price management to know which customers are concerned with quality over price, which customers are concerned with price over quality and which customers are concerned with both price and value.

4.4. **Conclusion**

Based on the results of this study, it is concluded that price changes can have a negative impact on consumers depending on whether brand loyalty is built on quality or price. Market segmentation informs that while all of the consumers participating in this study take into account the price of their preferred brand (in this case Toyota), price sensitive customers will consider purchasing another brand where there is a significant increase in price. Non-price sensitive customers are less likely to change brands and are more likely to see the price change as an indication of improved quality. In the next chapter conclusions and implications for price management strategies are made based on the results of this study.

Chapter 5 – Conclusion and Implications for Price Management Strategies

5.1. Conclusion

There is an obvious concern that in the marketing field, managers are increasingly aware that there is a need to know who their customers are and what their customers want and need. This enables market segmentation and product differentiation. As Thompson, et. al., 1994) argue, by getting to know their customers, companies are put in a position where they can gain a competitive edge by responding to their customers' needs and preferences in the implementation of the effective and responsive marketing strategies. The emergence of myriad products that mirror one another is making it increasingly difficult for consumers to remain loyal to one specific brand (Shim, 2010). As a result firms are increasingly becoming more customer conscience and less profit-making focused.

However in shifting the focus to customer oriented strategies, companies are more inclined to offer price promotions and these kinds of price changes can damage brand quality in the eyes of the consumer. While this may be an effective strategy for attracting new and non-loyal consumers it might not be a good method for the retention of loyal consumers (Shimp, 2010). This is not to say that price promotions should be avoided. Price promotions are very effective for launching a new product or phasing out an old product. However if done to excesses can damage brand quality. This will not be good in the long term and will be particularly damaging to the more affluent consumer who is not price conscious and associates a higher price with higher quality.

At the same time, as demonstrated by this research study, consumers are likely to at least consider a comparable brand when confronted with a sudden increase in price. However, the more affluent consumer with brand loyalty will likely not choose another model, although it is possible. For the most part, loyal customers are likely to be less impacted by price changes in either direction, provided the price change is not significant (Chattopadhyay, Shivani and Krishnan, 2009; Jensen and Drozdenko, 2008; Yoon and Kim, 2000; Rotzoll, Haefner and Hall, 1996, p. 96; Reichheld and Sasser, 1990). Where brand loyalty is established consumers are not likely to look elsewhere when the price change is small (Jensen and Drozdenko, 2008; Jorgensen and Zaccour, 2004, p. 94; Rotzoll, Haefner and Hall, 1996, p. 96).

Price changes are unavoidable and its impact on a company's brand and consumer preferences and purchasing habits are inevitable. While some consumers are less effected by price changes than others, the fiercely competitive market, particularly in the automobile market indicates that price managers and marketers must manage the necessary price changes tastefully and effectively with a view to keeping their customers and maintaining brand images and perceptions of the brand.

All too often firms change prices for profits or for the sake of appealing to a new a consumer base. Either tactic can have an adverse effect on the customers that the company already has and can scare new customers off. There are steps that firms can take to safeguard against the adverse effects of price changes regardless of whether the price change involves increasing prices or reducing prices. The fact is, price changes that increase the price of a product or price changes that decrease the price of a product can have equally adverse impacts on consumer purchasing behaviour, consumer preferences, and consumer perceptions of brand quality and therefore may negatively impact consumer brand loyalty.

5.2. Implications for Price Management Strategies

Based on the findings and conclusion the following observations are made relative to the implications of this study for price management strategies:

- Regardless of the reasons for making price changes, price managers and marketing strategists should always ensure that their price changes are comparable to existing fair market prices to avoid consumers doubting the value of the brand and more especially to avoid consumers looking elsewhere for a similar brand with a fairer value.
- Since our sample population demonstrated a greater degree of loyalty where the price change is supported by sound and logical reasoning, it is recommended that price managers ensure that they have good and logical reasons for changing prices and that those reasons are clearly communicated to their consumers.
- It is also observed that market segmentation should continue so that price conscious customers always have that lower priced option such as the small sedan.
- Since all consumers are concerned with the price of maintenance and availability of parts, any price changes that are due to maintenance and availability of parts can be tolerated by consumers.
- It is important that marketers and price managers conduct market research so as to get to know their customers and to know who the price conscious and non-price conscious customers are before making a decision to change prices.
- It is important that price managers and marketers do not take advantage of loyal consumers who are not price conscious and would purchase a product out of pure

brand loyalty. Eventually these customers will look elsewhere if price changes become excessive and repetitious.

- It is important to keep in mind that offering fair prices means offering quality at reasonable prices.

- As reported in the literature it is important that firms offer prices that are acceptable to the consumer (Indrayani, Siringoringo and Saptariani, 2008, p. 18; Keegan, Moriarty and Duncan, 1995, pp. 324 – 325).

- Price changes that are persistently low can also have negative consequences. It might change the brand perceptions of loyal customers and it is also important to keep in mind that new customers are not predisposed to purchase goods at lower prices from companies that they do not have brand loyalty for (Indrayani, Siringoringo and Saptariani, 2008; Yoo, Donthu and Lee, 2000). Therefore lowering prices must be done tastefully and reasonably and certainly not excessively.

- Perhaps most importantly, it is important for companies to establish brand loyalty and brand quality. By establishing brand loyalty and brand quality, price changes, when done tastefully and reasonably would not have an appreciable impact on consumers purchasing habits.

- Companies should always engage in market segmentation to ensure that it meets the needs of all of its consumers and this will create the necessary balance needed to safeguard against the negative consequences of price changes and its impact on consumers' purchasing behavior, preferences and attitudes and perceptions of the company's brand.

5.3. Limitations of the Study

This study is delimitated in that it is confined to a specific industry, in a specific location and a specific consumer base. Specifically, this study is based on the impact of price changes in the automobile industry. This study is further delimited in that it is based on the Toyota automobile company and its main competitors and further delimited to Toyota and its main competitors in Saudi Arabia. The study is only concerned with the impact of price changes on the purchasing behavior of Saudi Arabian consumers who own a Toyota or one a vehicle of one of Toyota's competitors that was marketed in 2010 or later. The study was further delimited by only examining the effects of price changes in a limited way: the effects of price changes on the purchasing behaviour of the consumers studied and brand perceptions of the consumers studied.

The study was delimited to ensure that conditions that could impact the study that are not important to the study are minimized. For example, the impact of price changes on consumers of fast-moving goods is decidedly different from consumers of larger goods such as cars. It would be far too speculative to attempt to reconcile the results of a study that included consumers generally. For example the impact of price changes in the apparel industry are expected to be quite different from price changes in the automobile industry. Likewise, the impact of price changes on consumers in the automobile industry in Saudi Arabia are expected to be different from the impact of price changes on consumers in North America since there are different variables that might account for the impact of these price changes. For instance, the cost and availability of fuel in Saudi Arabia is a variable that might be expected to have less significance to a Saudi national purchasing a car in Saudi Arabia than an American purchasing a car in the U.S.

Thus there are factors and limitations that are outside the control of researchers. Limitations such as the differences in consumer products and the differences in factors that impact prices in one region or another are limitations that the researcher cannot control in a study investigating the impact of price changes on consumer purchasing behavior or on the perceptions of brand quality. Therefore the prudent thing to do is to delimit the study. All studies will come across flaws and while all flaws cannot be avoided, they can be minimized by delimiting the study.

5.4. Strengths of the Research

The strengths of this research are found in the richness of the data collected and analysed. By delimiting the scope of the study the researcher was able to collect detailed and descriptive data. A researcher can obtain greater detail from a smaller sample size representative of a larger population and can derive meaning and understanding of the phenomenon studied. With a larger population sample, the researcher is limited to a greater quantity of data with fewer details and in many cases questions will arise that have not been answered by the participants.

By puttying a smaller population sample in a situation where they experience and respond to the phenomenon studied the researcher is able to observe the participants' responses and not simply rely on consumers speculating about what they might do in similar situations or to recall their experiences. In addition, because the sample size is relatively small, the researcher was able to have meaningful discussions with the participants about their responses to the phenomenon experienced. By taking this approach, the researcher was able to triangulate the data collected in both the price simulation exercise and follow-up interviews.

5.5. Weaknesses of the Research

All research methodologies and projects have weaknesses. This is particularly so when the research involves observing and interviewing human beings. The potential for bias is always a key concern. For example the participants were all Toyota users and it is always possible that they felt defensive about their vehicles and did not want to disparage their choice of vehicle. However, if this study had selected owners of various vehicle brands or owners of another vehicle brand instead of delimiting the study to Toyota vehicles, the problem of consumers not wanting to disparage their choice of vehicle brand would still be a problem. Therefore this is not a problem that the researcher could overcome.

Another weakness of the research is that it involved a very small sample size and therefore could not adequately capture the full range of consumers of Toyota vehicles and automobile purchasers in Saudi Arabia in general. Since qualitative research is not intended to generalize, this was not an impediment to this study. Moreover, I felt that it was necessary to compromise on quantity in favour of quality of data depth and richness. In other words it came down to a choice between rich and robust data, or volume lacking in richness and detail.

It was also not possible to observe the sample population in real life situations in which they were purchasing a vehicle in circumstances in which the price changed either by increasing or by decreasing. This was not possible to arrange, particularly since the participants were already car owners of relatively new car models and were not likely to be on the market to purchase a vehicle. The fact is, the participants were aware that they were merely participating in a price simulation exercise and that they were not bound by their decisions. This could have influenced the decisions they made. In other words, it is quite possible that the participants might have had an entirely different response to price changes if they were bound to act on those decisions and actually had to make a purchase. However, since it is impossible to arrange these kinds of real-life experiences which involve real-life purchases of expensive consumer goods, the researcher had to settle for the next best thing: price simulation exercise. Moreover, the follow-up interview was deliberately planned and carried out to ensure trustworthiness in the participants' responses to the price change simulation exercise.

5.6. Implications of the Study

This study provides information for the automobile industry and Toyota in particular with respect to the impact of price changes on consumer purchasing decisions and perceptions of brand value among a sample of Saudi Arabian consumers. This study can be used to inform price management practices and marketing decisions of the automobile industry in Saudi2012050229h Arabia, especially Toyota. It informs Toyota that its customers are divided into two groups: price-conscious and non-price conscious consumers who are both loyal to Toyota and will be affected by price changes differently. This study at the very least, informs Toyota to get to know its consumers, their preferences and attitudes toward Toyota prior to making price changes and to make those changes in ways that do not compromise brand loyalty.

Toyota obviously has a market that is sensitive to price changes although these Toyota consumers appear to want to adhere to Toyota, but will not do so if they can find a comparable vehicle at a lower price. At the same time, there are consumers that would purchase Toyota regardless of the price differences. These consumers are largely those who own SUVs. Therefore Toyota should focus on the smaller and to a less extent the medium sized sedans and how those price changes are managed. The starting point is to ensure that other comparable brands are not offering a similar vehicle at a much lower price. Consumers will remain loyal if the price change is not unreasonable and not much different than comparable brands. Therefore Toyota should ensure that price changes are commensurate with market conditions.

Moreover, this study revealed that maintenance and mileage can mediate the differences in purchasing prices. Therefore Toyota should always emphasize the savings to consumers in terms of mileage and maintenance. This will offset purchase price changes for consumers, provided that the price differences are not much larger than those of comparable cars. Once Toyota guarantees the consumer that they will still come out ahead in terms of mileage and maintenance, they can expect consumers to remain loyal to the Toyota brand.

This study also informs Toyota and other brands in the automobile industry that it is important to focus more profoundly on brand loyalty and brand quality and to tailor price management with brand loyalty and brand quality as a priority. Moreover, price changes should never be significant and should be accompanied by full and frank disclosure of the reasons for the price change. The reasons for the price changes should be reasonable and necessary and clearly communicated to the consumers. This study found that when price changes are made reasonably and are not significant in nature, consumers are more amenable to them. More importantly, as long as price changes are fair and do not derogate from the fair market value, consumers are not likely to respond negatively.

5.7. Future Research

In order to shed more light on the impact of price changes on consumer purchasing behavior and perceptions of brand in the automobile industry, future research might be conducted by virtue of a comparative case study. A comparative case study might involve qualitative studies of two or more automobile industries in two or more countries. As the researcher lacked the resources to conduct this kind of study, it would have been more informative than the present study. A comparative study would minimize the risk of bias on the part of participants as it would have a larger and more varied sample size to triangulate the data.

Appendix A

Letter Seeking Participants Consent to Participate in the Study

I am conducting a study investigating the impact of price changes on consumers' purchasing behavior and their attitudes and perceptions of brand value. I am specifically targeting Saudi consumers who own a vehicle of popular brand (Chervolet, Kia, Toyota and/or Honda) that is no older than 2010. I expect that the results of the study will be used to help automobile companies in Saudi Arabia manage pricing strategies more effectively for the benefit of both the company and their target consumers. I request your participation in the study in two ways: a price simulation exercise and a follow-up interview in which I will ask you to explain your responses to the price simulation exercise. The total participation should not take much more than an hour and will be scheduled at a neutral place at your convenience. Your identities will not be revealed or published and I assure you of complete confidentiality and privacy. You have the right to refuse to participate in this study and even if you agree, you are at liberty to withdraw at any time after giving your consent.

Appendix B

Consent Form

I ________________________the undersigned of Saudi Arabia, have been informed of the nature of the study, my expected participation in the study and I have been assured of my right to privacy and confidentiality. I have also been informed that I have the right to refuse to participate in the study and if I do consent to participate in the study, I am free to withdraw at any time after consenting. Having been duly informed of my rights and the nature and purpose of the study and my participation in it, I agree to participate in the study via a price simulation exercise and a follow-up interview. I hereby submit my signature as evidence of my consent.

____

Participant's Signature

Date:

Appendix C

Market Segmentation

Available online at www.shuterstock.com. (Retrieved 31 March, 2013).

Appendix D

Interview Schedule

Focus groups were divided into six groups among two cities: Jeddah and Riyadh in which the groups were divided into three groups. The first focus groups was conducted in Jeddah in which each price simulation exercise took approximately 15 minutes and interview sessions were conducted after a half hour break to allow the researcher to organize and reflect on notes taken during the price simulation exercise. Three focus group discussions and interview sessions were conducted in which the researcher led the discussion by asking each member of each group to explain his or her selection and the reasons for their responses to the price change. Each interview lasted approximately 30 minutes. The interviews were conducted at the facilities where the focus group/price simulation exercise took place and the interviews were conducted one-on-one with the researcher. The second focus group was conducted in Riyadh and followed the same procedure as the first focus group and lasted approximately one hour.

Appendix E

Interview Questions

1. Why did you choose the car that you purchased?
2. What do you like about this car compared to other cars of a similar make and design?
3. What did you consider when making the decision to purchase the car?
4. What do you not like about the car compared to other cars of a similar make and design?
5. What do you use your car for?
6. Do you think you got value for money?
7. Will you purchase the same car brand and model should you lose this car?
8. How important is price to you when making the decision to purchase a car?
9. How important is quality to you when making the decision to purchase a car?
10. Does price indicate quality to you? In what way?

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