Impact of After-Sales Performances of German Automobile Manufacturers in China in Service Satisfaction and Loyalty: With a Particular Focus on the Influences of Cultural Determinants

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Abstract
This paper shows why and how the after-sales services of German automobile manufacturers should be researched (structural equation modelling) in the most important car market – China. Beside key constructs such as service quality, satisfaction, and loyalty, culture is implemented innovatively into the conceptual research model, by applying Schwartz’s individual-level value theory as moderating influence on the after-sales service success chain.

Keywords: satisfaction, brand loyalty, automotive after-sales, culture, China.

Introduction and Research Gap
Automobile premium brands operate globally, which is undoubtedly required, because mostly domestic markets are either decreasing or stagnating. China has recently become the most important and biggest car market, with an average growth rate of over 30% between 2000 and 2010.1 But selling has become challenging because urban areas are well penetrated and, in poorly penetrated rural areas, incomes are low. This is particularly alarming for German premium brands. Simultaneously, the after-sales market in China has been growing continuously. Also, it is scientifically proven across industries that after-sales services are high-margin profit drivers,2 with crucial benefits, such as the following.3

- Achieving competitive advantage and differentiation.
- Feedback and optimisation function for product or process improvement and development.
- Promoting sales of the core product and general marketing support.
- Increasing customer satisfaction, brand loyalty and image.

Despite its great scientific and practical relevance, the Chinese automobile after-sales market is insufficiently researched, especially in terms of critical success factors.4 Also, China is its own world in terms of culture, and its market is marked by enormous cultural differences from other markets. Despite continual claims to the contrary, the automotive industry generally pays little attention to the cultural aspects of business, specifically in the area of service demand behaviour.5 Culture and particularly values are generally considered to be a cause of behaviour,6 thus understanding these influences could be crucial for success.

This research addresses this gap, with the objective of investigating theoretically and verifying empirically what determines success in the automotive after-sales market, under consideration of the

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influence of Chinese culture. This paper therefore focusses on the presentation of an innovative research model, which emphasises the moderating effects of culture on central constructs (quality, satisfaction and loyalty), by taking into account that Zhang et al. (2008), claim in their cross-cultural review paper that it is crucial to apply theories other than those of Hofstede in the field of consumer service research.\(^7\)

**Research Design**

Success-factor research will be deployed to achieve the stated objective. The fundamental assumption here is that a few influencing factors have a significant impact on success. Thus, the cause-and-effect relationship of special success-critical determinants is shown.\(^8\) Brand loyalty is set as the main success indicator, because of its great relevance to brand management,\(^9\) due to the recommendations from an expert survey,\(^10\) and the notion of Sivadas/Backer-Prewitt (2000): “There is increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty.”\(^11\) With regard to causes, variables are identified which strongly affect the success indicator, namely the success factors.\(^12\) Both independent and dependent variables can occur in complex systems as non-observable (latent) variables, which is why structural equation modelling (SEM) is considered appropriate.\(^13\) The empirical testing of hypotheses will be done by partial least squares (PLS); a statistical technique of SEM, which fits the project methodologically.\(^14\)

The determination of variables, and therefore the conceptualisation of the research model, is structured based on the key relationship between after-sales service satisfaction and brand loyalty, as well as on the automotive marketing mix. As a result, a comprehensive contemplation of possible variables is ensured. Additionally, culture is considered intensively, because it is a phenomenon which explains or influences consumer’s assessment or behaviour. As well it is difficulty to reveal and to operationalise as explaining variables.\(^15\)

With regard to the concept of culture, most researchers agree that culture consists of explicit and implicit aspects, and therefore still use the concepta and percepta distinction introduced by Osgood in 1951.\(^16\) Here, values are considered as the major element of culture and a crucial cause of behaviour, which is both widely shared in the cultural research field.\(^17\) As values are causal, it is possible to operationalise them as moderating variables in order to explain how culture influences the way the Chinese perform when it comes to satisfaction and loyalty assessment. Due to the need to go beyond Hofstede and to consider the level of culture,\(^18\) this research focuses on micro-level analysis. Here, Schwartz’s individual level value theory fits perfectly, and significant authors refer to the Israeli psychologist.\(^19\) He defines “(…) basic values as trans-situational goals, varying in importance, that serve as guiding principles in the life of a person or group.”\(^20\) A comprehensive set of ten basic values,\(^21\) relevant in every society, are

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\(^10\) Ten experts were interviewed via e-mail and phone in 2013. Every expert is a specialist in at least one area, as follows: intercultural research, Chinese culture and markets, automotive marketing and industry, after-sales research and success-factor research.
\(^12\) Cf. Sass (2012), p. 23; Forsmann et al. (2004), p. 3.
\(^21\) Other operationalisations are applicable, e. g.: Lindeman/Verkasalo (2005), pp. 170 ff. or Saris et al. (2013), pp. 29 ff.
ordered and organised around a motivational circle, as a coherent system. Namely: self-direction, stimulation, hedonism, achievement, power, security, conformity, tradition, benevolence and universalism. These distinct values can also be consolidated as four higher-order values on two orthogonal dimensions. The circular relation also allows the domain of values to be partitioned into more or less detailed constructs, depending on how finely the researcher wants to discriminate the underlying motivations.

Applying the theory of basic human values by researching the moderating effects on the after-sales service success chain is a powerful method with crucial benefits, for the following reasons.

- “Values can provide predictive and explanatory power in the analysis of attitudes, opinions and actions.”
- Ten single values can be analysed in detail; those that are especially relevant to any specific topic can be identified.
- There is evidence for the systematic relationship of value priorities to behaviour for China and particularly for consumer purchase behavior.
- Socially desirable responding (neither individual or group caused), does not confound the self reported-values, which might be crucial in the collectivistic China.
- Focussing on and comparing individuals and groups is possible because corrections to individual differences in use of response scales are applicable.
- The design is suitable for self-completion questionnaires and internet surveys.

**Hypotheses and Research Model**

Due to the length-limitation of this abstract, it is not possible to show in detail how and why the conceptual research model and the abbreviation of hypotheses took place, but figure 1 and table 1 summarise it.

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Figure 1. Research Model

Table 1. Overview of Hypotheses

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis &amp; Relevant Literature</th>
</tr>
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<tbody>
<tr>
<td>H1</td>
<td>The higher the after-sales service satisfaction, the higher the workshop loyalty.</td>
</tr>
<tr>
<td>H2</td>
<td>The higher the workshop loyalty, the higher the brand loyalty.</td>
</tr>
<tr>
<td>H3</td>
<td>The higher the perceived service quality, the higher the after-sales satisfaction.</td>
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<tr>
<td>H4</td>
<td>The higher the perceived dealer switching costs, the higher the workshop loyalty.</td>
</tr>
<tr>
<td>H5</td>
<td>The higher the perceived dealer switching costs, the higher the brand loyalty.</td>
</tr>
<tr>
<td>H6</td>
<td>There is a relationship between acceptable workshop distance and after-sales service satisfaction or workshop loyalty.</td>
</tr>
<tr>
<td>H7</td>
<td>The higher the brand image, the higher the after-sales service satisfaction.</td>
</tr>
<tr>
<td>H8</td>
<td>The higher the brand image, the higher the workshop loyalty.</td>
</tr>
<tr>
<td>H9</td>
<td>The higher the brand image, the higher the brand loyalty.</td>
</tr>
<tr>
<td>H10</td>
<td>Perception of service quality, after-sales service satisfaction, brand loyalty and workshop loyalty is significantly influenced by culture, which means by at least one individual level value.</td>
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<tr>
<td>H13</td>
<td>Akin to H10-H13, but using the consolidated higher order value dimensions openness to change, conservation, self-transcendence and self-enhancement.</td>
</tr>
</tbody>
</table>

Conclusions

This paper shows why and how the after-sales services of German automobile manufactures should be researched in China. An innovative cultural approach is implemented, in order to reveal how Chinese
culture moderates the whole after-sales service business in terms of consumer behaviour. A profound research model and a set of hypotheses are elaborated, and the initial results will be ready for presentation at the ICBM conference in July.

References


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