



Measuring the effect of customer satisfaction on customer re-purchase intention in the second-hand motor industry

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Mini-dissertation accepted in partial fulfilment of the requirements for the degree *Masters of Business Administration* at the North-West University

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Graduation: May 2020

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ABSTRACT

The study investigates the effect of customer satisfaction on repurchase intention in the second-hand motor industry of selected provinces in South Africa. This industry is very competitive, price sensitive and high service levels are expected. Service quality, price competitiveness and the variety of products can have a significant impact on the competitiveness of a second-hand motor dealership. As a result, a study with the primary objective to determine the current customer satisfaction levels of a second-hand motor dealer was needed. The literature study compiled an industry profile of the second-hand motor industry and then analysed customer satisfaction and repurchase intention in South-Africa in one company with various dealerships. The literature also focused on the determinants of customer satisfaction and the relationship between customer satisfaction and repurchase intention. Data was collected from customers of one of the largest second-hand car dealers in South Africa (We Buy Cars) using an electronic form to record customer satisfaction on a 5-point Likert scale. A total of 6,883 questionnaires were emailed to customers of which 511 were completed and returned (signifying a 7.4% response rate). Exploratory factor analysis identified seven underlying customer satisfaction variables, namely *Customer satisfaction*, *Marketing channels*, *Intention to purchase*, *Service options*, *Consumer behaviour*, *Overall experience* and *Media platforms*. These factors explained a favourable cumulative variance of 64%. All the factors except Factor 3, yielded satisfactory Cronbach alpha coefficients larger than 0.775, and are therefore deemed reliable. Conclusions and recommendations were made to increase customer satisfaction in the relevant dealership. Based on the results of the data analysis, it is recommended that all the results and findings get distributed to the relevant departments in this dealership. Lastly it is also highly recommended that internal actions and controls get developed to keep on improving the customer satisfaction levels.

Keywords: Customer satisfaction, second-hand motor dealer, repurchase intention, We Buy Cars, service quality, price sensitive.

ACKNOWLEDGEMENTS

I want to express my sincere appreciation to the following people for their support during the completion of this study:

- My wife, Carli Webber, for all her patience, support and all the late-night coffees over the past two years. I duly appreciate it. Without you, this degree would not have been possible at all.
- My parents, for their support and assistance.
- Professor Christo Bisschoff, for his time and effort in assisting me. His expert advice and guidance in the completion of this study.
- Ms. Antoinette Bisschoff, whom language, technically and typographically edited my dissertation.
- Mr. Shawn Liebenberg from the Statistical Consultation Services at the North-West University in assisting me in the analysis of the data and interpretation of the results.
- Mr. Wynand Beukes, who gave me assistance with the questionnaires.
- We Buy Cars, for allowing me access to their customers to perform the study.
- My friends and fellow students who assisted me during my studies, all the late-night sessions and study schools will never be forgotten.
- Last, but not least, God, our Father, who gave me the opportunity and wisdom to take on this course.

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LIST OF ABBREVIATIONS

Table 1: Abbreviations used in this study

Abbreviation	Meaning
AI	Automotive Industry
BOD	Board of Directors
CEO	Chief Executive Officer
CFI	Comparative Fit Index
CIRT	Centre for Innovation and Research Teaching
CNIT	Customer's needs, intentions and technology
CRI	Customer Repurchase Intention
CS	Customer Satisfaction
DS	Dealer Sales
EC	Existing Customers
KMO	Kaiser-Meyer-Olkin
MI	Motor Industry
ND	New Dealers
NV	New Vehicles
PC	Private Customers
RMSEA	Root Mean Square Error of Approximation
RS	Ranking System
SA	South Africa
SHD	Second-Hand Dealers
SHMI	Second-Hand Motor Industry
SM	Sales Manager
TM	Target Market
WBC	We Buy Cars (Pty) Ltd
WCSRM	The Web Centre for Social Research Methods

DEFINITION OF KEY TERMS

Table 2: Key terms used in this study

Terms	Definition
Second-hand car	“A car that has been previously owned; not a new car” (The Free Dictionary, 2018).
Customer Satisfaction	As a business term, it can be used to “measure how the supply of products or services surpasses customer expectations” (KB Manage, 2018).
Repurchase intention	“The subjective probability that a customer will continue to purchase a product from the same online seller or buying product/services again from the same company” (IGI Global, 2018).
Expectation	“The feeling that good things are going to happen in the future” (Cambridge Dictionary, 2018).
Effect	“A change which is a result or consequence of an action or other cause” (Oxford Dictionary, 2018).
Customer	“General: A party that receives or consumes products (goods or services) and can choose between different products and suppliers” (Business Dictionary, 2018).

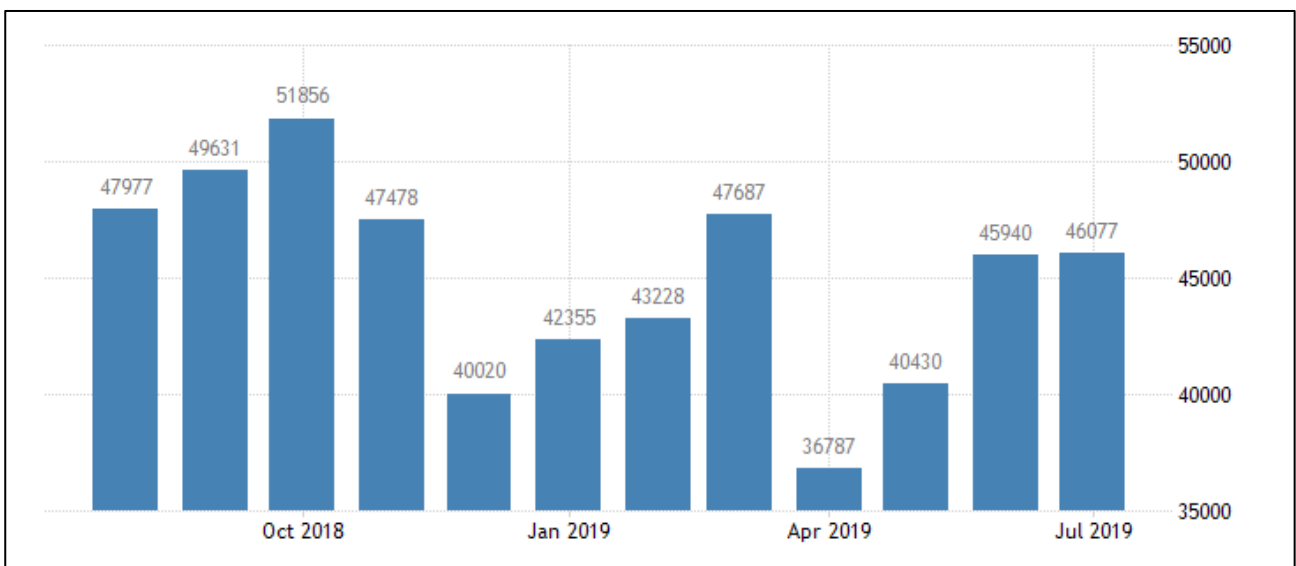
CHAPTER 1: NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

In a postmodern technologically prosperous world, transport from point A to point B is a given. However, in South Africa, where limited public options are available, compared to Asian and European countries, people rely heavily on private transport means such as a private car. South Africans enjoy the transport freedom cars provide. That is the very first need that is fulfilled by automotive transportation. Each vehicle buyer has his/her own reasons that dictate which vehicle ultimately ends up in their driveway, but generally the factors that consumers look for are the same. In other words, most buyers share the same needs, but by prioritising one need over another, buyers can usually choose which model will be best for them.

According to Trading Economics (2019), total vehicle sales in South Africa increased from 45,940 in June to 46,077 in July 2019. From 1994 until 2019 total vehicle sales in South Africa averaged 40,320, reaching an all-time high of 65,689 in August of 2006 and a record low of 18,482 in September of 1994.

Figure 1: Vehicle sales in South Africa



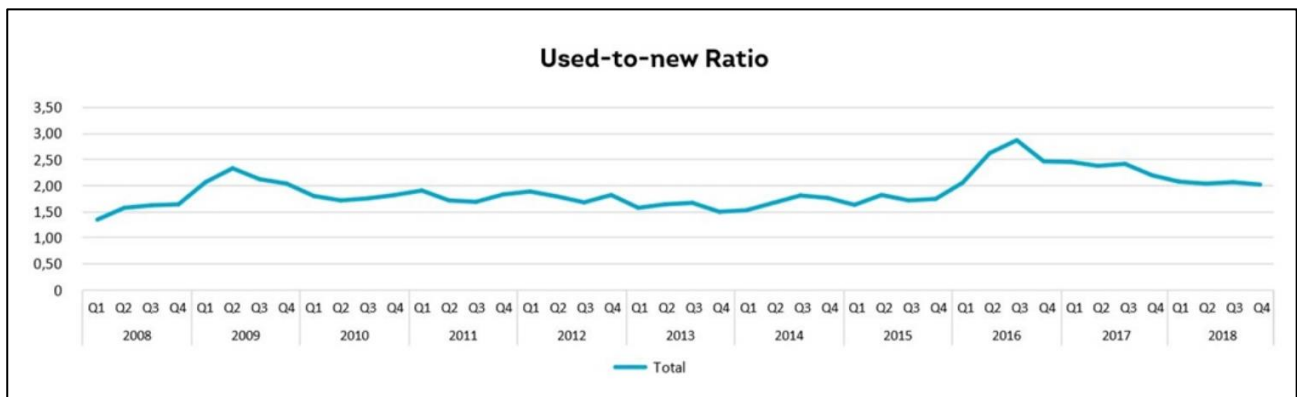
Source: Trading Economics (2019)

The South African second-hand motor industry is an industry that shows remarkable annual growth. Santam (2019) states that second-hand cars are much cheaper than new cars as

the previous owner has absorbed some of the depreciation, which means lower financing costs. Lilleike (2019) adds by saying that the reason for the better performance in the second-hand motor industry can be attributed to two main reasons: affordability and variety.

The latest TransUnion Africa Vehicle Price Index report, which tracks vehicle finance deals in South Africa, has been released (Business Insider, 2019). It shows that 2.03 used cars were financed for every new vehicle sold in 2018. Although there has been a decline in the number of vehicle finance deals from 2017, the second-hand car market still outperforms the market for new vehicles.

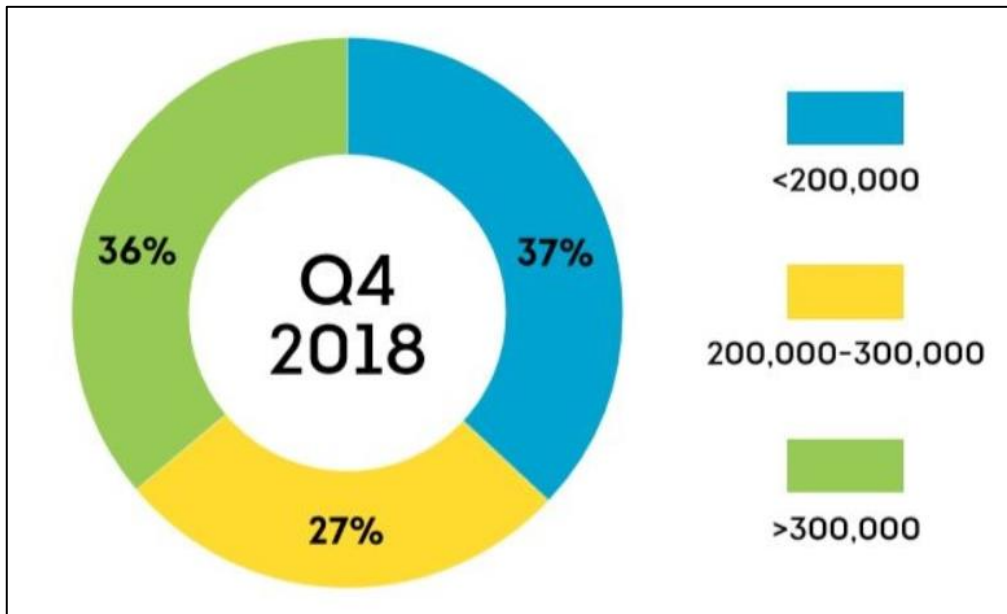
Figure 2: Vehicle finance in South Africa



Source: Business Insider (2019)

Some 37% of the financing for new and used vehicles are for vehicles costing less than R200,000, while there has been a 5% increase in the past year for financing vehicles that cost more than R300,000 (Business Insider, 2019).

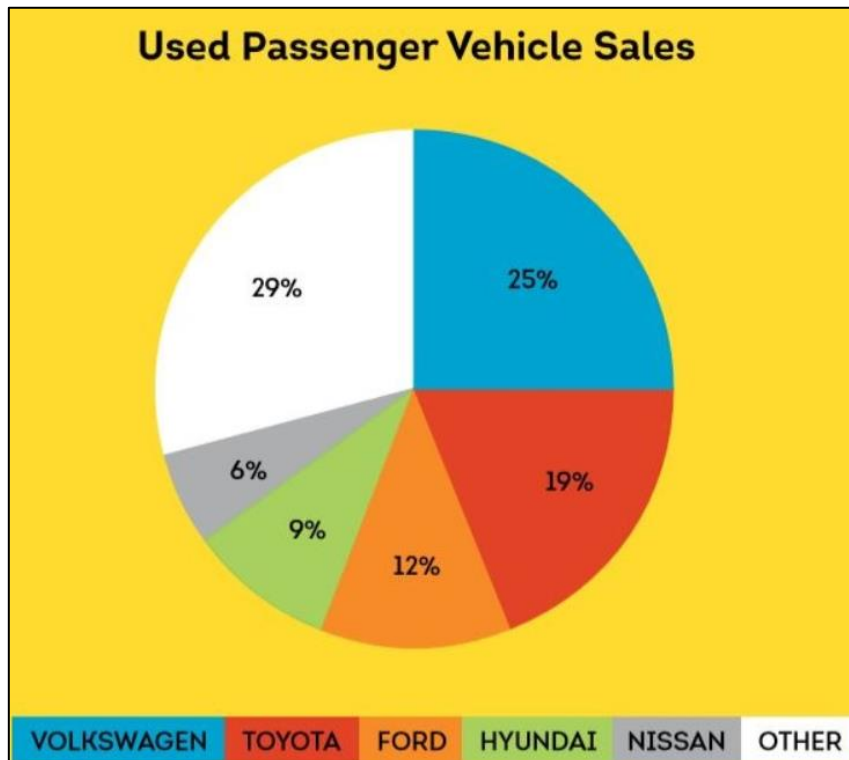
Figure 3: Used vehicle finance in South Africa



Source: Business Insider (2019)

Regarding market share of dealership brands, Toyota (19%) and Volkswagen (25%) captured 44% of the volume of sales of the financed used passenger vehicles in 2018.

Figure 4: Used passenger vehicle sales in South Africa



Source: Business Insider (2019)

To be a highly competitive second-hand motor dealer in a growing market or even to consider being the leader in the industry, it is of utmost importance to know who the target market is. Once the dealer knows who the target market is, the dealer can determine what their needs and concerns are concerning the product or service. In short, one calls this customer satisfaction. For companies to achieve customer satisfaction, they must ensure that all factors that can influence satisfaction are covered and must form part of their strategy to move forward. It is crucial that companies strive towards keeping their customers satisfied. This will lead to customers returning and, of course, can also lead to greater profits. Hunt (2000) emphasizes the importance of profits by saying that a business's main goal is after all to maximise profits.

1.2 BACKGROUND

The second-hand motor industry is showing exceptional growth with 60% of cars on South African roads being pre-owned (Gumtree, 2019). According to Moody's (cited by Smith, 2019) the odds that the South African economy could experience a technical recession in 2019 are high. In recent economic times and with the persistent economic weakness (Moody's, cited by Smith, 2019), consumers cannot afford to buy new vehicles. According to the Head of Gumtree Automotive, Jeff Osborne (cited in Stone, 2017), more South Africans are looking for guidance on how to enter the second-hand motor industry; an industry that is growing daily, even in the last two years' tough economy.

The second-hand motor industry plays an important role in the South African economy. It is therefore important to ensure progress and sustainability in this industry. To accomplish this, one must remain competitive in the market by determining what makes customers return to the dealership. This is where customer satisfaction starts to play an intricate role. According to KB Manage (2018), customer satisfaction is a term used to describe a scenario when an exchange meets the needs and expectations of the customer. It thus refers to the supply of the goods or services that fulfil the customer's expectation of quality and service, in relation to the price paid.

In this study, it is noteworthy that the second-hand market is growing and strengthening our economy. There are many positive factors that other industries can learn from this industry. By sketching the background, the company will also know what attributes to add to the cars and what the customer is willing to pay. According to Siritanapirom (2004) there are three

factors to consider when conducting this kind of study, that customers will always ask and want to know: (1) the performance of the car, (2) maintenance costs and (3) a reasonable price (probably the most important).

1.3 PROBLEM STATEMENT AND CORE RESEARCH QUESTION

According to Bwisa (2018), the most important and natural first step in research is to identify the research problem and to describe it as accurately as possible. In other words, this refers to the problem that needs to be solved and the questions that need to be answered. Saying this a research problem can be regarded as a gap in existing knowledge, or a need (which requires further understanding and investigation).

Although it appears that many problems have multiple solutions, problems arise whose solutions are not obvious, or the solutions are not immediately available. It then requires a form of research to achieve a viable solution (Bwisa, 2018).

Customer satisfaction is a central issue in different industries due to its imperative role in organisational performance and ultimately also in the survival of various companies in the second-hand vehicle market. According to the National Association of Automobile Manufacturers of South Africa (cited in Business Tech, 2016) “the South African new vehicle market continues to decline. In May 2016, with total industry sales of only 42,907 new vehicles sold, is down 10.3% from 2015 data”. Wesbank (Business Tech, 2016) states that the weaker Rand has resulted in continued new car price inflation and this has caused consumers to shift to the used car market. Consequently, demand for used cars – as measured by application volumes – grew 9.5% in May 2016. This indicates that if the Rand weakens the new vehicle market declines; the second-hand motor industry however grows. On the other hand, if the Rand strengthens the new vehicle market will increase, and the second-hand vehicle market will decline.

With a market that is very precarious, it is essential to retain existing customers and expand the dealerships' customer base, to ensure a competitive advantage in a comprehensive market and to deliver the necessary profits. If there is a parallel between customer satisfaction and customer retention, it may be the winning recipe for the success/survival of

a company in a tough environment. If this is the case, how does one really keep the customers satisfied and ensure that they return to this specific dealer for business?

The problem this study aims to address is that, in general, customers are not loyal to a specific second-hand car dealer. The question is, why not?

1.4 RESEARCH QUESTIONS

The research questions in this study are:

RQ1: Why are buyers of second-hand vehicles not loyal to a specific dealer?

RQ2: Are there any relationships between customer satisfaction and dealer loyalty in the second-hand car market?

RQ3: Can management implement service interventions that will result in customer loyalty in the second-hand car market?

1.5 RESEARCH OBJECTIVES

The primary objective of this study is to determine what influence customer satisfaction have on the repurchase intention of customers in the second-hand motor industry.

The secondary objectives underpinning the primary objective aims to:

- Perform a literature review on customer satisfaction and repurchase intentions;
- Develop a measuring instrument based on the theoretical foundation to measure satisfaction and repurchase intention;
- Empirically measure these constructs in the second-hand car industry;
- Develop a customer management framework for the second-hand car industry.
- To see if marketing plays a role in attracting customers as well as if it influences their overall customer satisfaction levels.

1.6 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

Second-hand car dealers range from small owner-operated businesses to large dealerships. These dealerships can be independent chains operating throughout the country, or franchise operated dealerships operated by car manufacturers such as Toyota, Ford and others. Furthermore, a number of rental car agencies also operate their own dealerships where they

offer their now obsolete rental cars for sale to the public. Competition is rife in the second-hand car industry. The management staff needs answers to the research questions to maintain a competitive stance and remain sustainable and profitable second-hand car dealerships. One way to improve competitiveness is to establish a strong relationship between the customer and the dealership so that returning customers buy their next second-hand vehicle from the same dealer as before. Ultimately, dealers aim to provide high levels of customer service, but is service quality enough to establish a relationship whereby the customer will return to buy his next second-hand car from a specific dealer? Noteworthy is the fact that a number of large second-hand car dealers also has smaller car dealers as customers who buy cars to resell in the open market. These customers are not constrained by the limited contact individuals have when they buy a car for daily use. They also have more than one service encounter that can be used to build a relationship to establish loyalty to a dealer.

However, individuals as customers are faced with the reality that there is a significant time lapse before the next car is bought. Can service quality bridge that time lapse whereby the customer and the dealer have limited or no contact? This study aims to establish just that. It aims to analyse how dealers can establish a relationship with customers even if there is a time lapse between contact and transactions, and how to become a second-hand car supplier of choice. By doing so, the study contributes to strategic competitiveness of a second-hand car dealer; this then could be a key thrust in any second-hand motor dealer's strategic plan to ensure growth and higher profitability.

1.7 DELIMITATIONS

According to Research Paper Advisor (2017) delimitations aim to narrow the scope of a study so that the scope focuses only on specific variables, participants, websites or one type of research design.

This research investigates customer satisfaction and the repurchase intention of customers in the second-hand motor industry based on the levels of customer satisfaction and how to establish a relationship between the service encounter and the repurchase intention. The study will, therefore, not focus on other brand loyalty antecedents to establish a relationship of loyalty between the dealer and the customer. Furthermore, the study is based on the case

study research methodology where the customers of one large South African second-hand car dealer form the population of the study. The dealership We Buy Cars (Pty) Ltd. provided access to its customers to conduct this study.

1.8 ASSUMPTIONS

The PhD Student website (2018) states that “assumptions are issues that are accepted as true, or at least plausible, by researchers and peers who will read your dissertation”. In this dissertation, an important assumption entails that respondents are honest and truthful in their responses to the questions in the questionnaire. Although care has been taken to eliminate sensitivity, a respondent may experience a question as sensitive and answer untruthfully. As a result, the data were subjected to statistical scrutiny to determine reliability levels as per the Cronbach alpha coefficient.

1.9 RESEARCH METHODOLOGY

1.9.1 Research design

The research design selected for this study is quantitative. The overarching aim of a quantitative approach is to classify qualities/features, count them, and compile statistical models in an attempt to explain what is being observed (SIS International Research, 2019). According to USC (2018) the quantitative method emphasises objective measurements and the statistical, mathematical or numerical analysis of data collected through instruments (such as polls, questionnaires and surveys). Quantitative research focuses on collecting binary data and generalising it on groups of people or to explain a particular phenomenon (Brannen, 2017).

This study is a quantitative study in which data was gathered from a specific group (customers of We Buy Cars) through questionnaires. The collected data was subsequently analysed to determine the relationship between an independent variable (customer satisfaction) and a dependent variable (repurchase intention). USC (2018) states that “quantitative research designs are either descriptive (subjects usually measured once) or experimental (subjects measured before and after treatment)”. This study will, therefore, make use of the descriptive approach since the study will be conducted once by means of questionnaires.

According to USC (2018) and Bryman (2006), the main characteristics of a quantitative study are:

- The data is generally collected using a structured research instrument. – In this study, the structured research instrument used is an electronic questionnaire.
- The results are based on larger samples representing the population. – The results are based on questionnaires completed by individual and dealerships buying from We Buy Cars, they, therefore, represent the group (population).
- The study can usually be replicated or repeated. – This study can be repeated/replicated at any time in the future, given its high reliability.
- The researcher has a clearly defined research question on which an objective answer is required. – The research questions are clearly defined in this study.
- All aspects of the study are designed with great thoroughness before the data is collected. – Thorough research has been done in advance and all key players have approved the structured research instrument before sending it to the participants.
- Data collected is in the form of numbers and statistics. – Data collected through the questionnaires was presented in the form of numbers and statistics. Gathered data was used to draw tables, charts and figures. In this way, the data was easier to interpret, and the research questions were answered.
- The study can be used to broaden concepts, to predict future results, or to investigate causal relationships. – Not only can the research questions be answered by this study, but other results were also obtained. For example, it can be determined which other variables have a direct influence on repurchase intention.
- The researcher used instruments, such as questionnaires or computer software, to collect numerical data. – An email with a link is automatically sent to We Buy Cars customers (individuals and dealerships). The link takes the recipient to an electronic questionnaire. When this anonymous questionnaire was completed, the data was sent to the researcher for processing.

1.9.2 Population and sample

A person is regarded to be a member of the study population if he or she purchased a vehicle from any of the We Buy Cars (Pty.) Ltd. warehouse (from here referred to only as “We Buy Cars”). These warehouses are located at the Midstream branch near Pretoria, the Johannesburg South branch, the Cape Town branch, and the Durban branch. The study

excludes the other warehouses owned by the company as they are geographically dispersed across South Africa. The population is thus geographically located in Gauteng, the Western Cape and KwaZulu-Natal. This means that customer satisfaction was only measured in Gauteng, Kwazulu-Natal and the Western Cape; the other provinces were not targeted because We Buy Cars does not have warehouses in those provinces.

1.9.3 Data collection

Data was collected from two groups of buyers:

- Firstly, the top 10% of dealerships who buys vehicles from We Buy Cars for reselling purposes were targeted. They represented the dealers as customers.
- Secondly, the individual respondents who bought cars between the 1 May 2019 and 11 July 2019, were chosen randomly to partake in the study. Thus, prospective customers did not form part of the study.

The data were collected electronically. All the buyers of cars (both dealers and private buyers) received questionnaires via email. No sample was drawn. The total population was targeted. All the dealerships that buy vehicles from We Buy Cars were requested to take part in this study. After they were electronically informed of the study and its objectives, those dealers who agreed to participate, received questionnaires via e-mail. They were request to complete and return the questionnaire to a designated person before the due date (11 July 2019). These dealerships are deemed to be loyal customers because they regularly purchase vehicles at We Buy Cars. A total of 6,883 questionnaires were randomly emailed to customers bought cars during the first six months of 2019. A total of 511 were completed and returned (signifying a 7.4% response rate). (The detailed discussion on the of data collection methodology appears in Section 4.2).

1.10 LAYOUT OF THE STUDY

Chapter one provides an overview of the second-hand car industry, the problems they faced, culminating in the problem statement, the objectives and of the research methodology. The chapter also delineates the study and provides information regarding the limitation of the study.

Chapter two entails the literature review and focuses on the functionality in the second-hand motor industry in South Africa and the success thereof. The theoretical underpinnings of customer satisfaction and rebuy behaviour are also discussed and placed in perspective with the second-hand car industry. Other buying behavioural factors such as price, location and motor brands are also discussed. We Buy Cars as the case study company is specifically analysed.

Chapter three focuses on the research methodology and the results. It explains the results obtained from analysing the information obtained from the questionnaires and gives a critical interpretation of the results. The results also show where relationships between the antecedents' customer satisfaction and intention to rebuy exist.

Chapter four is the final chapter. It offers conclusions and makes recommendations. The chapter also suggests areas for further study to continue research in buying behaviour of second-hand car buyers.

1.11 SUMMARY

This chapter is the introductory chapter of the study. The chapter guided readers towards the study by providing a background to the problem, explained the problem at hand for second-hand car dealers and then postulated the research methodology. The next chapter presents the literature study on satisfaction, repurchase intentions and also introduces the case study company.

CHAPTER 2: CASE STUDY OF WE BUY CARS

2.1 INTRODUCTION

In chapter two the case study company We Buy Cars, are contextualised. The chapter provides information on the company, its market share, business model and explains its second-hand car operations. It also explains the dualistic nature of the company who services both individuals buying cars for daily use, and then dealers buying cars to resell to individuals. Auctions and private sales are also explained.

2.2 HISTORY/BACKGROUND OF THE COMPANY

We Buy Cars is a professional car trading company. It was established by two brothers, Faan and Dirk van der Walt. The idea started when Faan was still in school in the 1990s, by buying a motorcycle, fixing it and then selling it for a profit. In 1999, Faan spent two years in the United Kingdom as teacher whilst side-lining in car trading. When Faan arrived back in South Africa from London in 2001, he had sufficient capital to start a business and it was the official beginning of We Buy Cars. That capital investment he made helped We Buy Cars to grow and it eventually grew exponentially.

The We Buy Car's history timeline (We Buy Cars, 2019):

- 2001 – Company officially formed
- 2002 – First staff employed (drivers)
- 2010 – First buyers employed, first land bought, and warehouse built in Pretoria East
- 2014 – First buyer appointed in Cape Town
- 2016 – Opened branches in Cape Town & Durban
- 2017 – Minority share sold to Fledge Capital; opened the biggest showroom in Africa. We Buy Cars are mainly internet driven and, in the beginning, only sold cars to dealers. They quickly realized a public interest and started to sell to the public. This led to a 60:40 selling ratio between dealers and individuals. Whilst the company expanded, the ratio quickly changed to a 40:60 ratio.
- Present - At present We Buy Cars have buyers in nine provinces of South Africa, thus, buying cars all over South Africa. We Buy Cars will buy any type of

vehicle, including, but not limited to, cars, motorbikes, caravans, trailers, boats, buses and trucks.

2.3 BUYING A CUSTOMER'S CAR

When We Buy Cars buys a car, they try to make it as simple as possible. When an individual wants to sell his/her car to a dealer they don't necessarily want to buy that specific car. This is where We Buy Cars plays a major role. Buyers at We Buy Cars will always try to buy a vehicle for the best price possible. When evaluating a customer's car to make an offer the following facts are essential, namely the type of vehicle, the supply and demand, current specials, mileage, the book and retail value and also current market trends. Customers also benefit from the fact that We Buy Cars has a lot of collected data that help them to determine a price for a car on offer and thus ensuring that the customer selling the car, get the best price possible. The We Buy Cars team proud themselves of the fact that they don't make use of algorithms determining the price but use actual human beings to assess the value of a car.

Because of all of the above more than 45% of We Buy Cars' customer base is repeat business and referrals, and that is why more than 6 000 vehicles are bought on average per month. The process of selling a car is uncomplicated and quick. The process can be defined as follows:

1. The customer completes an easy and obligation-free online application form on the website.
2. One of the trained staff members contacts the customer within an hour of his/her application and provides them with a value estimate for his/her car.
3. When the customer is satisfied with the estimate, one of the expert buyers arranges a detailed inspection of his/her car at a convenient time and place that suits the customer.
4. The customer provides the car's history and previous ownership and they go through all the relevant paperwork with the seller.
5. The car is inspected and taken for a test drive which takes about 15 minutes.
6. They explain the value of the car and make an offer.
7. When the customer is satisfied with the offer, WBC buys the car by making an immediate payment.

8. They arrange the financing to suit the customer's personal requirements and handle all paperwork as well as arrange to collect the car when and where it suits the customer.

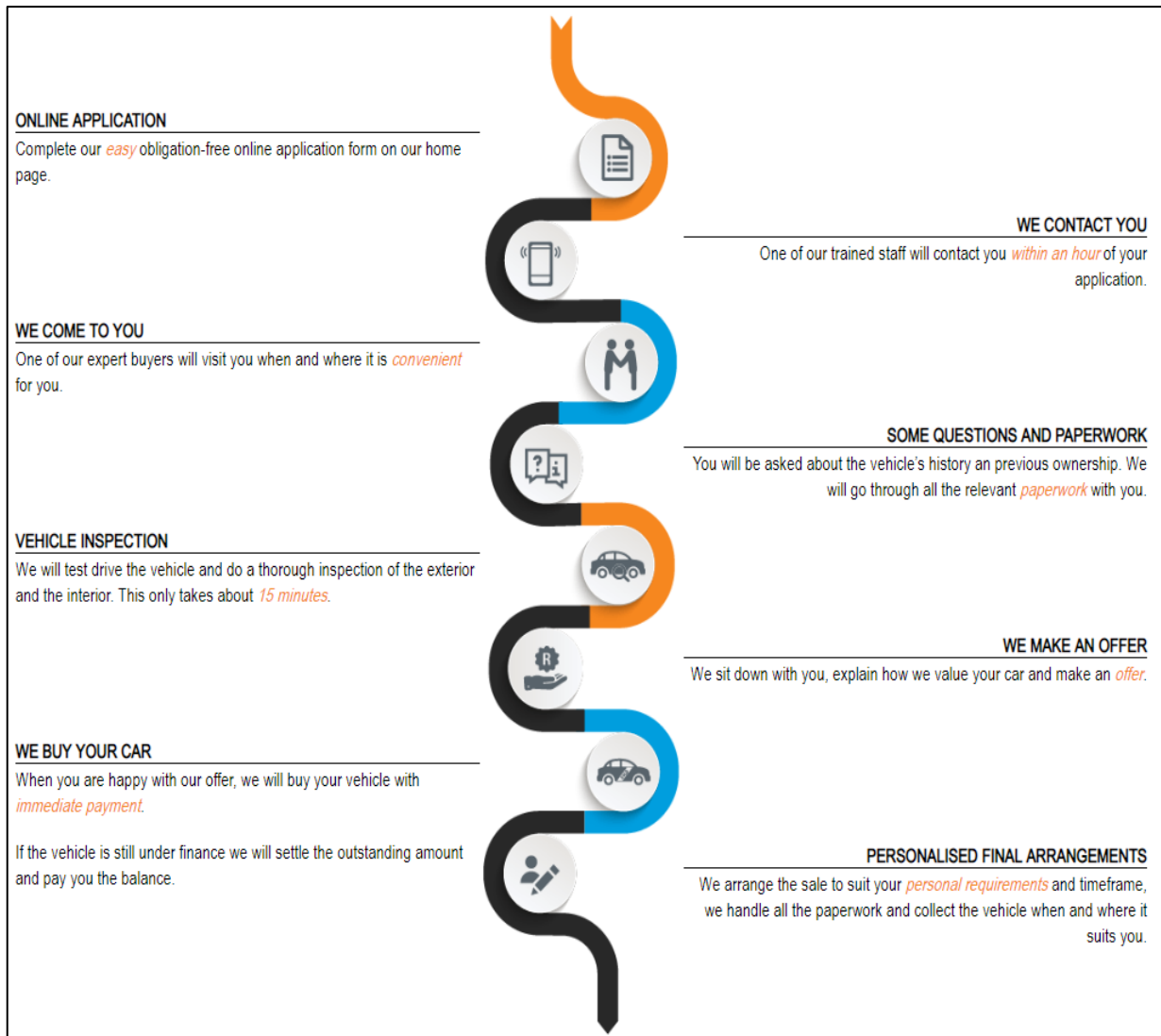
2.4 WHAT HAPPENS AFTER A CUSTOMER ACCEPTS THE OFFER FROM WE BUY CARS?

If the customer is happy with the estimated offer, his/her information will be sent to a We Buy Cars' buyer in his/her area, who will then give the customer a call. On the first call, the buyer will confirm the vehicle details to ensure accurate pricing. Secondly, they will verify the condition of the vehicle, with a few quick questions regarding:

1. The ownership period, if the car is paid in full, or if it is still on finance.
2. The service history and availability of spare keys.
3. Previous accident damages or repairs made to the vehicle.
4. Availability of the vehicle.

The buyer will then make an appointment to visit the customer and inspect the vehicle – wherever and whenever it best suits the customer. Figure 5 demonstrates how the buying process is conducted.

Figure 5: Buying process of We Buy Cars



Source: We Buy Cars (2019)

2.5 SELLING CARS

We Buy Cars also sell cars and is on average cheaper than any other dealership in South Africa. They have a low on profit margin policy per unit compared to other dealers, but a lot more units are sold per day.

2.6 BUSINESS MODEL

As already explained dealers and individuals are part of the business model. We Buy Cars pride themselves in providing great service to customers, and that is the reason for their

repeat business success. When submitting a car on the website, We Buy Cars are also proud to respond to the lead (a customer's application) within one hour.

We Buy Cars also recently implemented buying pods. A buying pod is a mobile office that can be located in malls or busy intersections. This enables customers to get a valuation on their car almost in every location in South Africa. We Buy Cars believe that this is disruptive to the market but that they have a first-mover advantage. They also believe that the customer is king and that everything goes to please the customer. Lastly, they believe that marketing is the key to getting customers to the warehouses. Their marketing budget for the 2020 financial year exceeds R108 million (We Buy Cars, 2019)

2.7 AUCTIONS

Auctions is a growing market all over South Africa. We Buy Cars found that auctions are a good method to get rid of stock that does not normally sell on the retail floor. What makes their auctions unique is that it's open to anybody, with no registration fee asked.

We Buy Cars currently have an average of 200 cars available per auction, giving the customer a wide variety of options to choose from. They host car auctions every Monday at their Johannesburg South branch and every Tuesday and Thursday at their Midstream and other two branches.

If the customer is interested in buying an auction car before the auction, they can buy the car with the "Buy Now" option immediately, either with cash or with the finance help. The "Buy Now" option price is a bit higher but is a fixed price, and the vehicle is immediately available. When buying the car cash, the customer can buy the car any time up to 17h00 during the day before the auction. If the customer buys the car using finance help options, they can buy the car until 10h00 on the day of the auction. By doing this, it is important to note that the customer is still buying the car on auction terms. Any auction cars that are not sold during the auction, are moved to the retail floor where the purchase price will be adjusted.

2.8 FINANCE AND INSURANCE

The F&I (Finance and Insurance) department is structured in such a way to relieve the customer of any unnecessary stress. The customer must do as little as possible during the finance process. They will guide the customer through the entire process and ensure that the customer's experience is timeous and effortless when financing a car using, We Buy Cars. They have several finance options available on pre-selected cars. When they take out a car loan, the CPA (Consumer Protection Act) automatically forms part of the transaction, ensuring the customer have peace of mind. Car loans are offered through all major finance houses including, but not limited to, Wesbank, ABSA, Standard Bank and MFC, a division of Nedbank. We Buy Cars strongly recommend making use of their in-house banking solutions which have proven to make the process of financing a car, the most effective and efficient and allows the customer to have a hassle-free car financing experience. Except formal finance they also have other products available which include insurance supermarket products, service plans, dent and scratch repair, tyre and rim repair, Netstar vehicle tracking devices and credit shortfall cover.

2.9 INVESTMENTS

In 2017 We buy Cars sold 25% of its shareholding to Fledge Capital – an investment company. In 2018 an additional 15% was sold also to Fledge Capital. This capital investment was huge for the We Buy Cars team. It brought a bunch of new opportunities for We Buy Cars enabling the team to develop the technology and systems of the operation. The biggest investment for We Buy Cars came in late 2018 when Naspers bought a 51% share in the company for R1.4 billion.

2.10 GAP IN THE MARKET

When asking Faan and Dirk about how the business started, Faan responded by saying that they saw a gap in the market. They wanted to create a user experience where a customer can sell his/her car hassle-free. Faan also realized that security is becoming more and more of a concern in South Africa and wanted to help customers sell their car where security is not compromised.

2.11 INTERESTING FACTS OF THE COMPANY

The average turnaround time for a vehicle in a We Buy Cars warehouse is around eight working days. One of We Buy Cars' starting policies is that they had decided they wanted to give back to charity. As a result, R50 is donated to charity for every car they sell. The company sells more than 60 000 cars a year, totalling charity donations to exceed R3 million annually.

2.12 COMPANY CULTURE

The HR department realises that company culture is a very important aspect of the WBC team. They encourage hard work and growth but compensate their employees well for their efforts. They like to employ people who buy into the company culture and they aim to instil a company culture of "one big family".

2.13 SUMMARY

In this chapter, the case study on We Buy Cars, a brief reflection on the relevant company We Buy Cars were done. The study showed that the company is well managed and worthy of a case study to investigate buying behaviour and service levels of the second-hand car industry in South Africa. The company has proper structures, systems and employees in place to increase the company's service levels and business acumen. Neither the employees nor the management are resistant to change; effective change will therefore be possible. The company is showing high annual growth and is financially sound.

The next chapter deals with a literature study on customer buying behaviour and customer service in the second-hand car industry.

CHAPTER 3: LITERATURE REVIEW ON CUSTOMER BUYING BEHAVIOUR

3. INTRODUCTION

To be thriving, profitable and competitive in the second-hand automotive industry, one must determine what factors play a role in customers repurchase intentions in the second-hand motor industry. To gain the lead in the market, profits must be generated. Profits are obtained from customers – new customers, but also customers who return to the business. Therefore, it is crucial that a business should know and understand its target market. Once they know who their target market is, they can determine their needs concerning the product/service – this is called customer satisfaction.

Parasuraman, Zeithaml and Berry (1988:30) state that one of the most important determinants of customer repurchase intentions discussed by researchers is offering competitively the best service quality to customers. Ibzan, Balarabe and Jakada (2016:97) support this idea, stating that it is still relevant in modern business endeavours.

The purpose of this study is therefore to investigate the relationship between customer satisfaction and repurchase intention in the second-hand motor industry. Through this, the mixed views on these concepts will be resolved and it will help to give a business a competitive advantage in the market. In this literature review, individual sources, as well as synthesising sources, were evaluated to gain a broad view on the influence of customer satisfaction on customer repurchase intention in the second-hand motor industry.

In this literature review, there are different research objectives that are intended to be discussed thoroughly. The primary objective is to ascertain what effect customer satisfaction has on customer repurchase intention in the second-hand motor industry. Other objectives intended to be covered are to:

- Determine the reasons for customer loyalty and satisfaction in the second-hand motor industry.
- Establish whether value added services, price and location play a role in customer repurchase intention.

3.2 CUSTOMER SATISFACTION

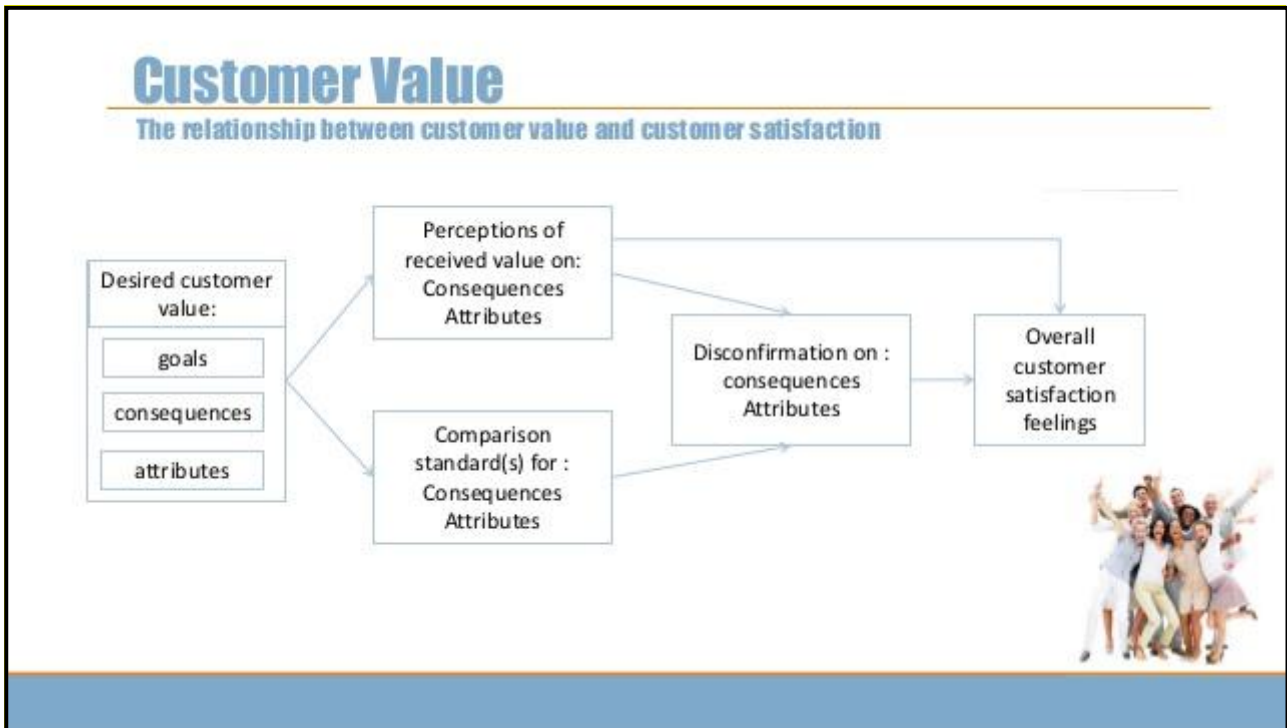
In recent times various organisations of all types and sizes, have begun to understand the importance of customer satisfaction. It is widely understood that it is far less costly to keep existing customers than to win over new ones. Hill and Alexander (2016) assert that there is a strong link between customer satisfaction, customer retention and profitability. Many organisations therefore use customer satisfaction as a tool to measure success.

Looking at research done by Bernt and Herbst (2006) we can identify four quality factors that are regarded as important for customers in the vehicle service environment, namely employee/commitment quality, tangible quality, promise/delivery quality and communication/interaction quality.

Bernt and Herbst (2006) elaborate on the subject with the following explanation: The employee/commitment quality factor refers to the way in which a business (together with its employees) treat their customers. The tangible quality factor refers to the exterior and interior design of an organisation, including the physical appearance of products needed to provide the given service. The promise/delivery quality factor refers to the extent to which the business delivers on the service that customers would like to receive. The communication/interaction quality factor refers to the way in which the business and the customer make contact (regarding, for example, the arrival of ordered items) and the quality of this contact session.

Customer satisfaction is a function of providing what the customers want, and when they get what they want, when they want it, where they want it, and how they want it. This, however, does not always imply that the product or service will always meet the customer's expectations to the full. There is a very fine line between customer satisfaction and company profitability. Similarly, there is a fine line between customer value and customer satisfaction. When the customer's value is met, it leads to a satisfied customer with a smile on their face. The relationship between customer value and customer satisfaction are illustrated in Figure 6.

Figure 6: Relationship between customer value and customer satisfaction



Source: Jarah (2016)

Figure 6 helps us to understand that the overall customer satisfaction lies in the customers' judgement/evaluation of the experience of buying the product versus what their expectation was. One can argue that customer satisfaction is linked to the customer's desired level of expectation (Van Thai, 2015).

According to Gonzalés (2015:62), satisfied customers will repurchase. Kotler and Keller (2018) state that customer satisfaction has a direct correlation between service received and product quality. If a customer's expectations are exceeded, it will result in satisfaction, and if they are not met, it will result in dissatisfaction.

Satisfaction also means to retain current consumers and attract new ones. Satisfaction is used by many organisations to measure their performance. Satisfied customers are considered crucial for organisations that strive for long-term relationships with customers.

Satisfaction can also be demonstrated as:



In Figure 7 there is a summary of the different dimensions of what drives customer satisfaction.

Figure 7: Factors of customer satisfaction



Source: Tabatabaei (2014)

As one can see in the discussion and in the figure above, the following assumption on customer satisfaction can be made:

Table 3: Comparison between perceived performance and expectation with result

Comparison Process	Result
Perceived performance < Expectation	Dissatisfaction
Perceived performance = Expectation	Merely satisfied
Perceived performance > Expectation	Delighted

3.3 INTENTION TO REBUY

In an automotive industry that has grown worldwide and became more competitive, how does a company retain existing customers to make repeated purchases? Several studies have been conducted to understand what makes customers repurchase from a business. Among the many influencing factors, trust has been found to be a key predictor for customer retention (Qureshi *et al.*, 2009).

To stay highly competitive and ensure growth in one's customer base, one must determine exactly what drives a customer to return to a dealership to do more business for a second, third or even fourth time. If the price at company A is the same as the company next door, why did the customer choose Company A?

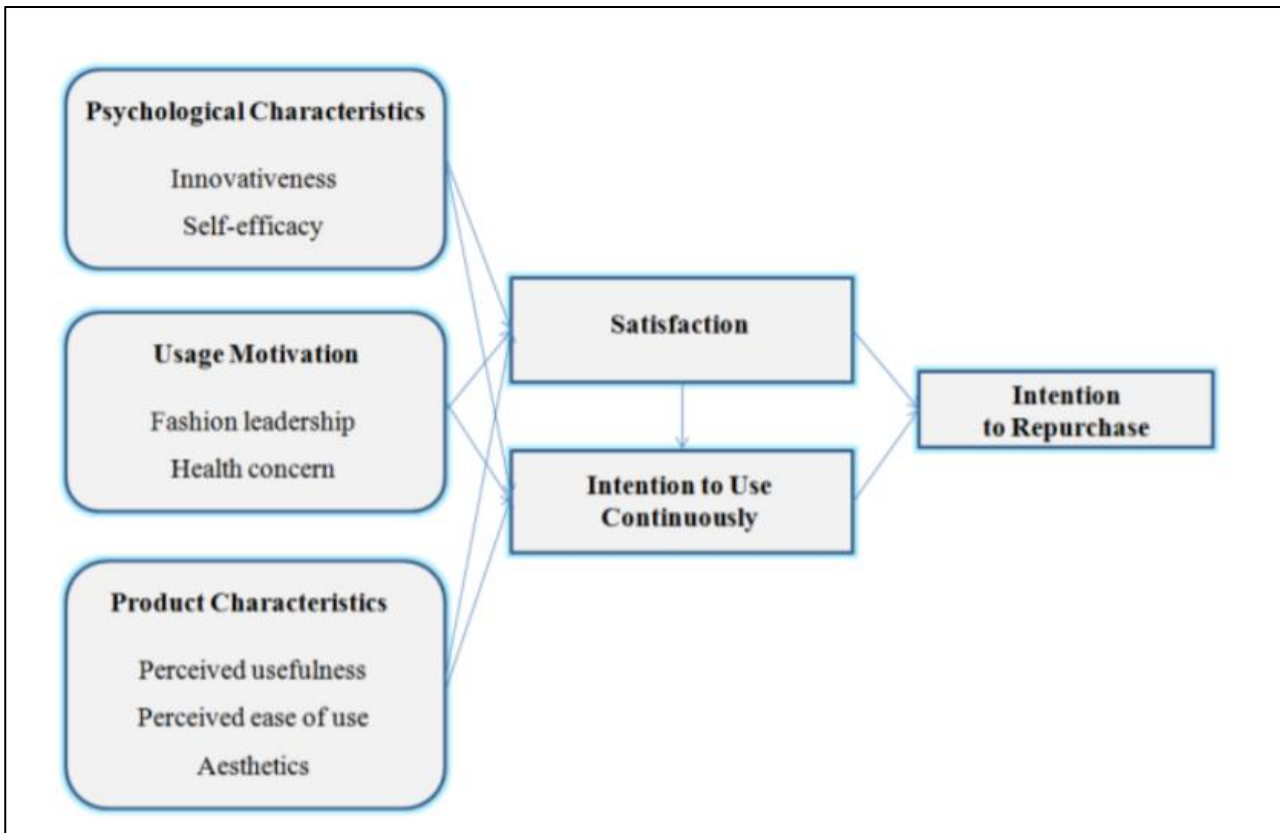
One of the most critical tasks in marketing is to create and communicate value to customers that will drive their satisfaction, loyalty, and profitability (Khadka & Maharjan, 2017). One can argue that purchase intentions are well suited for short-term predictions. By saying this a dealership may differentiate itself from other dealerships by running more "specials and promotions" than the dealer next door. There can further be argued that customers who are not satisfied by the dealer for different reasons like competitive prices would primarily shift their repurchase intention away from the dealer.

Several studies have shown that price is an important variable, but other variables such as product and service quality are important in the process of the customer purchasing decision. Customers in this era are targeted by mass media, and they change the consumer's way of thinking through emotions, needs, desires and demands (Giovanis, Tomaras & Zondiros, 2013:305).

It is also important to know that customers with a high repurchase intent will require lower marketing expenses than the regular customer (Frank, Enkawa & Schvaneveldt, 2013:173). This emphasises how important that dealers know their customers and market, and that they know where and how to do marketing. Frank *et al.* (2013:174) established that men are more loyal to firms than women and that customer satisfaction is a more important driver of repurchase intent for men than women. Melnyk, Van Osselaer and Bijmolt (2009:90) report conditions under which the reverse is found, depending on the object of customer loyalty. Melnyk *et al.* (2009) contend that "whereas female consumers tend to be more loyal than male consumers to individuals, such as individual service providers, this difference is reversed when the object of loyalty is a group of people."

To predict the existing users' repurchasing behaviour, He *et al.* (2017) made use of the following model in their study to see which factors have a direct and indirect effect on repurchase intention.

Figure 8: Research model for repurchase intention



Source: He *et al.* (2017)

Using the above model, He *et al.* (2017) obtained the following results: Innovativeness, self-efficacy, fashion leadership, health concern, perceived usefulness, perceived ease of use, and aesthetics have a direct influence on the user's intention to use continuously or to repurchase. In the same light, all seven factors, except for satisfaction, also had an indirect influence on the user's intention to use continuously/repurchase.

Satisfied customers usually repurchase to stay satisfied, whereas in general dissatisfied customers will switch to get satisfaction somewhere else. As can be seen in the figure above (that sums up different factors that lead to intent to repurchase from a firm) perceived value has an influence on the decision-making process when the quality is compared to the price. The perceived value is attained by either a higher perceived quality for the same price or the same perceived quality for a lower price. The public brand will also play a role in the decision-making process. What will the public's opinion be of this brand?

Many firms strive to build a relationship with their customers, but the challenge lies therein that not all customers are keen on building a close commercial relationship (Mende, Bolton & Bitner, 2013:126). It is thus essential to create customer loyalty. It must be a primary objective for companies.

Online retailing is an important channel or business model for firms. Online businesses are not only a platform for marketing and browsing but customers do also now get motivated to purchase repeatedly through these channels (Chiu *et al.*, 2014:86). At We Buy Cars auctions play a significant role in the company's sales. To get the edge over the competitor online auctions must seriously be considered. One can argue e-commerce is the new style of business and companies who adapt and make this model their own will soon be the leader in the industry.

In a rapidly changing technology driven world more than ever, consumers ask/demand online products and services. Not only do companies have to keep this in mind, but they must also remember that there are different motivations for buying products or paying for a service. To give a better explanation of what motivates customers to purchase, see the figure below:

Figure 9: Explanation of what motivates customers to purchase

Components	Definitions
Adventure	Shopping for stimulation, adventure, and the feeling of being in another world. For example, the aural and visual (e.g. image and video) stimuli of Yahoo!Kimo may make a buyer feel like he/she is in a virtual shopping mall and he/she may enjoy shopping in such a store atmosphere.
Social	The enjoyment of shopping with friends and family, socialising while shopping and bonding with others while shopping. For example, a buyer may obtain enjoyment by sharing his/her good Amazon shopping experience with others via a social networking website (e.g. Facebook).
Gratification	Shopping for stress relief, shopping to alleviate a negative mood and shopping as a special treat for oneself. For example, a female buyer may browse Yahoo!Kimo to buy a designer handbag in order to relieve her stress at work.
Idea	Shopping to keep up with the trends and new fashions and to see new products and innovations. For example, a buyer can browse Yahoo!Kimo to see new cell phones. After ordering an iPhone, he/she may feel that he/she is keeping up with the trends due to both the shopping channel used (online shopping) and the popularity of the product.
Role	The enjoyment that shoppers derive from shopping for others, the influence that this activity has on the shoppers' feelings and moods and the excitement and intrinsic joy felt by shoppers when finding the perfect gift for others. For example, a young buyer wants to buy a digital camera for his/her parents. The buyer can easily find the right one because Yahoo!Kimo offers a variety of digital cameras. The buyer feels joyful due to his/her success in finding the perfect gift for his/her parents.
Value	Shopping for sale items, looking for discounts and hunting for bargains. For example, Yahoo!Kimo always offers sales and discounts. A buyer may feel joyful due to his/her success in purchasing items at a low price.

Source: (Chiu *et al.*, 2014:93)

To make the above model more applicable to specifically online purchasing of vehicles at We Buy Cars, the main points will be discussed:

- Adventure We Buy Cars tries to provide an experience to potential customers through their website by using videos and to create advertisements with a humorous undertone. All vehicles for sale are also represented visually using photographs (interior and exterior).
- Social Videos of happy customers' testimonials are regularly uploaded to the site, so prospective customers can appeal to them. Social platforms, e.g. Instagram, Facebook and Twitter are linked to We Buy Cars website. Potential customers can, therefore, share possible new vehicles with their friends to get their opinions/approval.
- Gratification As can be seen in the table above, many people buy products for stress relief. We Buy Cars tries to give their prospective customers a stress-free experience by providing a wide variety of vehicles that meet

everyone's needs. The website is also very user-friendly to make the experience as comfortable as possible for prospective customers.

Idea	New vehicles in stock are uploaded daily on We Buy Cars website. On the site, prospective customers also have different filtering options that allow them to list the vehicles, for example from cheap to expensive, from the latest to the oldest model, and according to brand or model.
Role	Because of We Buy Cars' wide variety of vehicles, there is something for every person. Because of the variety, the large amount of stock and new stock that comes in daily, one can be assured of finding a vehicle that meets one's needs very quickly.
Value	Price drops occur daily on We Buy Cars' website. A link can also be found in the auction section on the website, where prospective customers can compete for the best price.

Firms need to convince customers that the product/service they buy has little to no risk involved. According to a study done by Chiu *et al.* (2014:93) it is shown that perceived risk is an important determinant in both initial purchase intention and repeat purchase intention. Customers do not like hidden costs. The price they see is the price they want to pay. Customers fear financial risks. Financial risk can be defined as “the likelihood of suffering a financial loss due to hidden costs, maintenance costs or a lack of warranty in case of faults” (Chiu *et al.*, 2014:93). Interesting to know, Voss, Godfrey and Seiders (2010:115) found that satisfaction may have no impact on repurchase for low-involvement or low-income customers.

Lewis' (2017) research indicated that one of the most common and costly mistakes vehicle salespeople make is to buy into the idea that a buyer's main priority is price; this is also true in South Africa (We Buy Cars, 2019). According to him, the order of precedence when buying a vehicle is: firstly, the product; secondly, the salesperson, thirdly, the dealership's reputation/service, and lastly, the price.

3.4 RELATIONSHIPS BETWEEN CUSTOMER SATISFACTION AND INTENTION TO REPURCHASE

According to Wee *et al.* (2012), repurchase intention is the individual's judgement about buying a designated service from the same company again, considering his or her current

situation and likely circumstances. One of the most important tasks successful businesses must carefully consider is to keep retaining customers with repurchase intentions. In short, if a dealer wants to retain customers, he/she have to satisfy their needs, always. As said before, retaining a customer is much cheaper than finding a new customer. Enough attention should be paid to this, not only will the business benefit financially, but they will also gain a bigger market share. Ibizan *et al.* (2016) further states that it is extremely important to keep the customer satisfied in order for them to repurchase. It is also further stated by Decha (2019:70) that cost and revenues of a firm are highly affected by repeated purchases, positive recommendations and other forms of customer feedback.

The above-mentioned objective is one of the most important objectives covered in this literature review. If there is enough evidence that there is a direct link between customer satisfaction and customer repurchase intention, success rates of a business can increase significantly. Not only will their customer base increase but also their profits. Consequently, these businesses will be a stronger competitor in the market.

The relationship between perceived value, customer satisfaction and purchase intention has been researched by Hu (2011:625). The evidence suggests that customer value has a direct impact “on customer loyalty and is the driving force behind customer attraction, retention, and repurchase”.

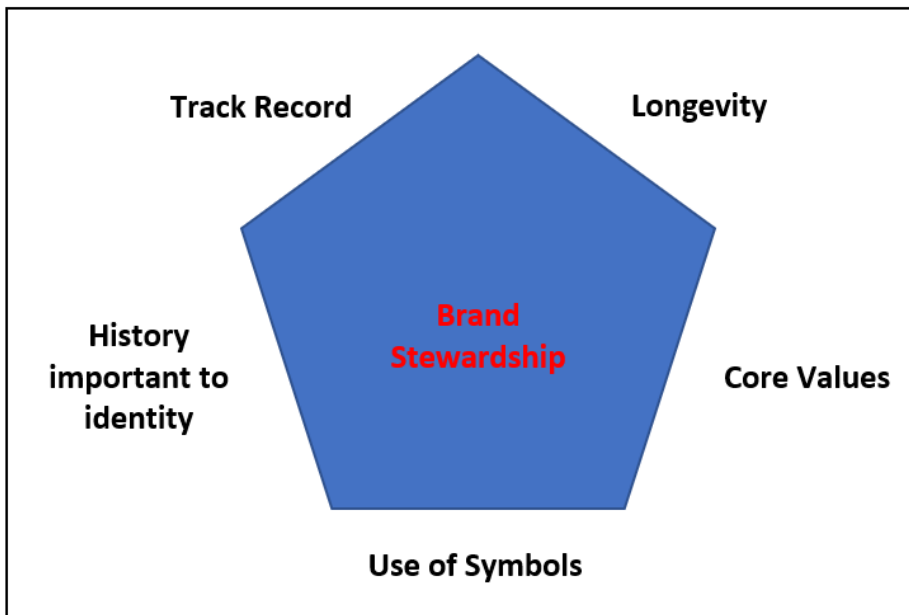
Wee *et al.* (2012) said that the following aspects are an inseparable part of customer satisfaction and its influence on repurchase intention: (1) Brand Heritage; (2) Brand and Customer Loyalty; (3) Prestige; (4) Corporate Communication; (5) Word of mouth; (6) Marketing; (7) Brand pricing; (8) Brand equity and (9) Consumer behaviour. These concepts are discussed further below.

3.4.1 Brand Heritage

According to Wee *et al.* (2012), a company’s unique heritage is something that can never be duplicated or copied by a competitor. Brand heritage is anything that relates to a company’s history or its roots. This includes the brand's personal and cultural associations, as well as all time frames – from past to present, and even to future.

Balmer (2015) have identified five elements of brand heritage: Track record; longevity; history important to identify; core values and use of symbols. The pentagon shown below displays the five quotients of brand heritage:

Figure 10: Five quotients of brand heritage



Source: Balmer (2015)

Urde, Greyser and Balmer (2007:15) give a thorough explanation of each quotient of the pentagon:

- A track record refers to the ‘proof’ that the company has demonstrated over time, associated with its values and promises. The track record of We Buy Cars speaks for itself. Since 2002, from the inception of We Buy Cars, the motto has been set to always provide a good, quality service. Now 17 years later, this promise is still being met. The good track record of We Buy Cars is one of the key components that ensures that customers return to the business. The outcome would have been very different if We Buy Cars didn’t meet their promises and only delivered half the product or service. In practice, the We Buy Cars team values the saying "the proof is in the pudding".
- Longevity refers to “the consistent demonstration of other heritage elements. It is difficult to be measured precisely.” The longevity of We Buy Cars has been captured since the inception of the business. The family business which was started by the two

Van der Walt brothers (Faan and Dirk) leave their tracks so deep that it would be difficult for someone to follow in their footsteps. We Buy Cars not only want to sell cars but also want to make a difference in the community. Since the inception of the business, it has been decided that for every car sold, R50 will be donated to charity. This is just one of the initiatives that contribute to We Buy Cars' longevity.

- Core values refer to “the company’s core values that guide its behaviour and corporate strategy.”

The six core values of We Buy Cars is: (1) Quality Service, (2) Integrity, (3) Transparency, (4) Accessibility for everyone (5) Accountability and (6) Professionalism. Every day they strive to live up to these values that form the core to the We Buy Cars business model.

- Via the use of symbols, a company’s past is “reflected and expressed in communication”. Through familiar symbols, such as the We Buy Cars logo, the business can be identified on various forums, such as billboard, pamphlets, magazine advertisements, and more. The business's colours (orange and black) are also characteristic. We Buy Cars are, therefore, known by their symbols and colours.
- History refers to the important incidents in the history of a company. History for We Buy Cars is important seeing because it sets the dates from which the growth of the business can be measured, and also what interventions had an effect on business performance. We Buy Cars had a humble beginning with only two employees. Year by year they grew to a current employee base of 928 full time employees. Their history determines who, what and where companies are today. Such history plays an important role in the decision-making and communication strategy of the company.

3.4.2 Brand and Customer loyalty

Brand and customer loyalty are thoroughly explained by Wee *et al.* (2012). Customer loyalty is found to be one of the powerful competitive tools for many companies. Loyalty is often interpreted as actual retention, which is a cornerstone of customer relationship management. Customer loyalty is a deeply held commitment to re-buy or patronize a preferred product consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing. Loyal customers can help business grow by increasing future revenue and reducing the cost of future transactions of a business (Reichheld, 2003). They will also

pay premium price, generate referrals, spread positive word-of-mouth and repurchase more of the product. Loyalty can lead to higher levels of customer retention.

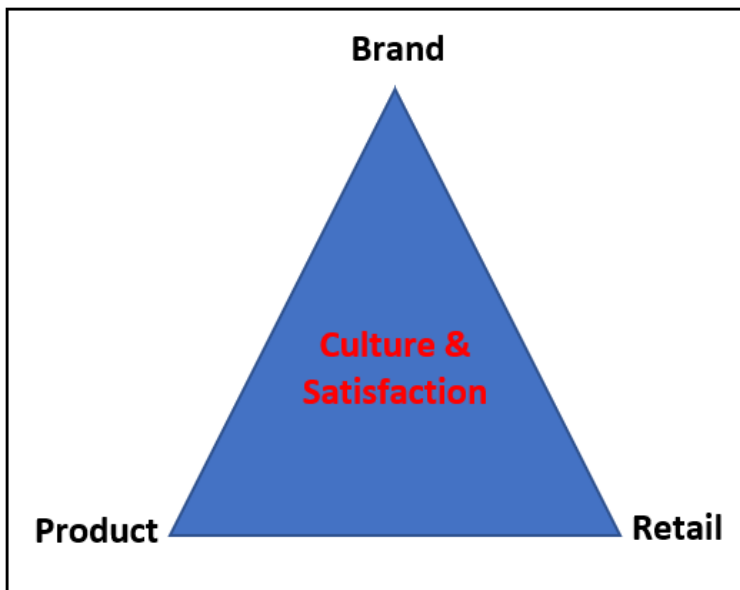
By saying the above there is still no universally accepted definition of loyalty. Customer loyalty is far beyond repurchase behaviour as it consists of two dimensions which are behaviour and attitude, with all leading to commitment Cherry (2019). According to Cherry (2019) an attitude refers to a set of emotions, beliefs, and behaviours toward a particular object, person, thing, or event. It is often the result of experience or upbringing, and they can have a powerful influence over behaviour.

Wee *et al.* (2012) refer to a five-item Likert scale with three operational measures. This measurement includes repurchasing intention, the resistance of switching to competitor's product that is superior to the preferred vendor's product and willingness to recommend preferred vendor's product to acquaintances.

According to Ibzan *et al.* (2016) what customers enjoy today may not be something they look for in the following years. Companies like Toyota & Volkswagen gets it right when it comes to brand loyalty. Adequate pricing, the vehicle size and excellent customer service are all factors that keep these brand's customers coming back.

The brand triangle by Lanza (2018) represents customer brand perception and how perceptions affect the customer's opinion and repurchase expectations.

Figure 11: Brand triangle



Source: Lanza (2018)

3.4.3 Prestige

Consumers often receive benefits from marketing exchanges that go beyond basic economic benefits (Hanazee & Hamedani 2013:3555). The motivation for buying a car is transportation but consumers also buy cars for non-economic benefits (e.g. prestige and security) (Arnett, German & Hunt, 2003:103). Prestige is usually important to get a high social status of people or inanimate objects such as brands (Bagozzi, Gopinath & Nyer, 1999:200).

According to Bergami and Bagozzi (2000:75) by prestige is meant that the perceptions of other people whose opinions are valued believe that the organisation or brand is well regarded or well known. Luxury brands may be consumed in order for one to assert status and prestige (Brun & Castelli, 2013:840). Hennigs *et al.* (2015:39) further state that prestige pricing often increases the financial value of luxury brands due to status-conscious consumers perceiving high prices to be an indicator of high quality. It is then when consumers make use of luxury brands to display wealth and prestige amongst their reference groups. A consumer believes that through the possession of luxury brands, they will be connected to prestige groups while simultaneously being separated from non-prestige reference groups (Yang & Mattila, 2016:1860). Ashforth and Mael (1989:30) go further and

say individuals often cognitively identify themselves as winners which also satisfies their self-esteem.

3.4.4 Corporate Communication

According to Università della Svizzera Italiana (2018) the role of Corporate Communication, in this incredibly dynamic environment is to help organisations to develop and to cultivate and protect their reputation. It does it by engaging with the organisation's stakeholders and by nurturing and communicating the organisation's identity.

Hanzaee and Hamedani (2013:3556) argue that customers are more likely to identify with companies that actively engage in communicating with their stakeholders. A regular customer/dealership wants general communication on the state of the products of a dealership. People want to be in the loop of things, up-to-date with products and know what is going to be the next trends in cars and the additional services/products that goes along with it. in terms of products/service.

3.4.5 Word-of-mouth

Word-of-mouth communication has received considerable attention in the marketing literature. According to Sundaram, Kaushik and Cynthia (1998:528) word-of-mouth is a form of interpersonal communication among consumers concerning their personal experiences with a form or product, and has undoubtedly always been a powerful marketing force. Customers who identify themselves with a company tend to purchase more and recommend the company's product more often (Hanzaee & Hamedani, 2013:3555).

Some studies show that on average retaining an existing customer is six times less expensive than luring new customers and reducing customer defections by as little as 5% can, in some circumstances, boost profits by 25 to 85% (Bhattacharya & Sen, 2013:85).

3.4.6 Marketing

Marketing is essentially about winning the battle for the customer's choice (Wyner, 2006:9). McCarthy Buschken (2007:70) later developed the marketing mix which was product, price,

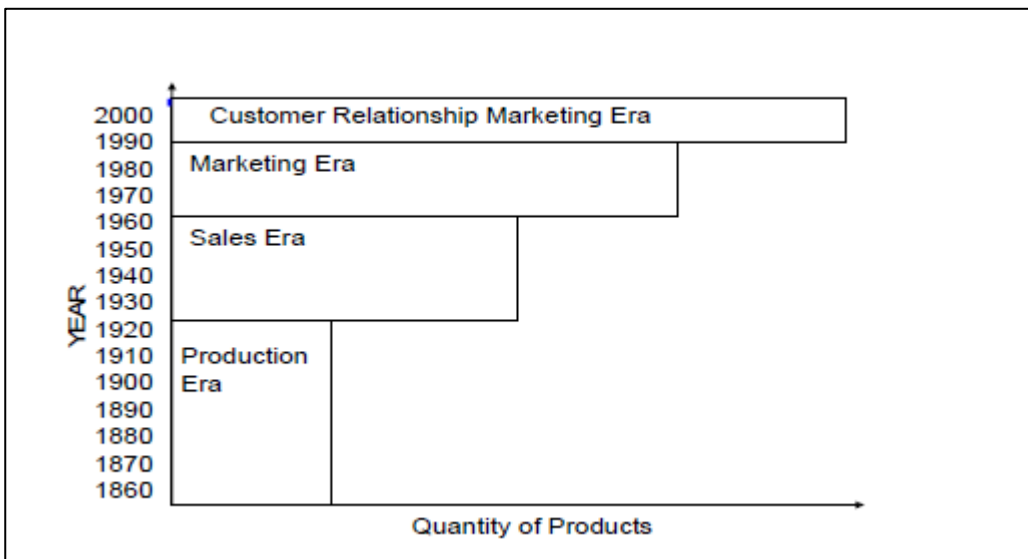
promotion and place. All of these are of the disposal of the marketing manager and are controllable variables. The 4 p's can be defined as follow (Lanza, 2008):

- **Product** – The product or service being offered.
Cars are built on its brand, reliability and quality. If companies achieve these three aspects, they'll get a loyal customer base (Wordpress, 2018). According to Bhasin (2019) a product of high quality is usually self-marketed and is what makes a brand exceptional. The brand needs to continuously improve and have a wide portfolio of vehicles.
- **Price** – The price charged, and the terms associated with the sale.
According to Bhasin (2019) the selling price of any product is usually determined by the cost price and the profit together. Any increase in the cost of production is directly passed to the customers in terms of selling price. It is also interesting to see that Wordpress (2016) says that certain companies also use a value-based pricing strategy. These companies use these strategies because they consider the value of the car to the customer rather than how much it costs to produce it.
- **Promotion** – The promotion, advertising and communication activities.
Promotion refers to raising customer awareness of a product or brand, generating sales and creating brand loyalty (Bhasin, 2019). Different motor companies use different promotional strategies to increase their sales volume. They use different methods of advertising through radio, newspapers, television, billboards and the internet.
- **Place** – The distribution and logistics processes involved.
In a normal car dealership, they sell their vehicles through dealerships and sales are made to customers by selling staff on one to one basis. Bhasin (2019) states that it is important to have well established plants and floor rooms to produce and sell your cars effectively.

In the figure below, it is evident that the need for more developed marketing strategies includes relationship marketing (Flambard-Rauad, 2005:60). The marketing concept

represents customer orientation, profitability analysis, integrated systems and social responsibilities.

Figure 12: Evolution of the marketing concept



Source: Flambard-Rauad (2015:60)

The marketing concept has evolved from the 2000s. Internet and digital technology with e-commerce and innovation is at the forefront of contemporary marketing research (Groucutt, 2005). Hooley *et al.* (2008) also say that in the 21th century there is an extensive focus on the value experience for the customer and is commonly referred to as customer-driven marketing.

Marketing is also about relationships that can increase your customer satisfaction levels. According to (Palmatier, 2008) relationship marketing is the strategy designed to direct all marketing activities towards building and maintaining successful relationships. Gruen, Summers and Acito (2000:40) said that building and maintaining lasting relationships with customers is the essence of relationship marketing.

Relationship marketing can also be linked to benefits such as a competitive advantage, higher levels of customer satisfaction and organisational learning. Furthermore, Nwakanma, Jackson and Burkhalter (2007:60) states that relationship marketing can have benefits for customers as well - such as direct one-to-one interactions with an organisation, anticipation of customers' wants and lastly providing customers with sufficient information empowering them to make the correct purchase decision.

3.4.7 Brand Pricing

According to Zeithaml, Berry and Parasuraman (1996:40), perceived price is often encoded by customers as expensive or cheap with noted price to be based on both the reference point price and the objective or actual price. The reference price is characterised by Hui-Chen (2006:280) as the price the customer expects to pay for a product.

According to Goldberg and Verboven (2001:840), price discrepancy is viewed as “expensive or cheap”, high or low, higher than expected or lower than expected.

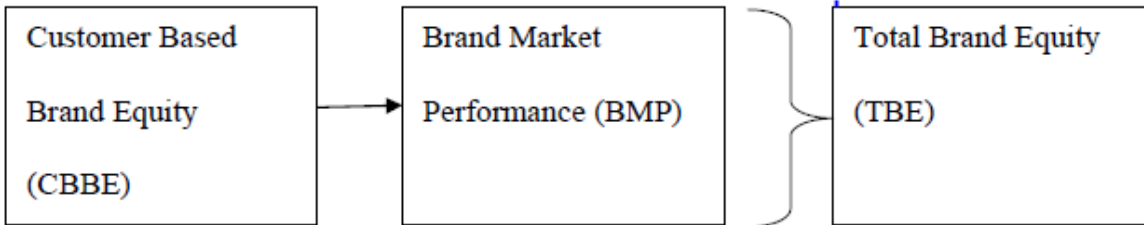
Pracejus (2003:202) stated that the existing literature finds that price discrepancy, which represents the difference between expected and observed price, helps explain the brand choice and purchase intention.

3.4.8 Brand Equity

Kotler and Keller (2018) uphold the original definition of brand equity as defined by Keller (2003), namely that the difference between the consumer’s brand knowledge and the consumer’s reaction to the brand’s promotions or differential effect, is formed of brand qualities go beyond the value proposition. A study by Johnson in 2006 found that brand equity has a direct influence on behavioural intentions and mediates the impact that quality and satisfaction have on intentions (Johnson, 2006:129). In this regard, Kotler and Keller (2018) add that there are two main consumer-related constructs of brand equity namely brand knowledge and brand responses. Brand knowledge is defined in conditions of brand image and awareness while a consumer’s response to marketing is identified with consumer preferences, perceptions and behaviour arising from marketing mix activities. Musa, Pallister and Robson (2005:351) further explain that brand equity is an important part by which a consumer decides if an exchange is fair or not.

It can be concluded that, from a marketing perspective, brand equity is a consumer-oriented approach in which both consumers and companies recognise the brand value. Consumers benefit from greater confidence and satisfaction in a product, and companies benefit from creating profits and capitalising on their brand to grow the business. Brand equity can be best described in the figure below showing that total brand equity is the sum of the customers brand equity and the market’s brand equity.

Figure 14: Brand Equity



Source: Musa *et al.* (2005:350)

3.4.9 Consumer Behaviour

Understanding consumer behaviour is salient, as it involves the behaviour that consumers portray in their pursuit to satisfy their needs by searching for, purchasing, using, evaluating and disposing of a product (Schiffman & Kanuk, 2010). Consumer behaviour entails the consumption experiences of consumers and can be studied by witnessing consumers’ thoughts and feelings during the course of the consumption process, as well as the actions they take during this process.

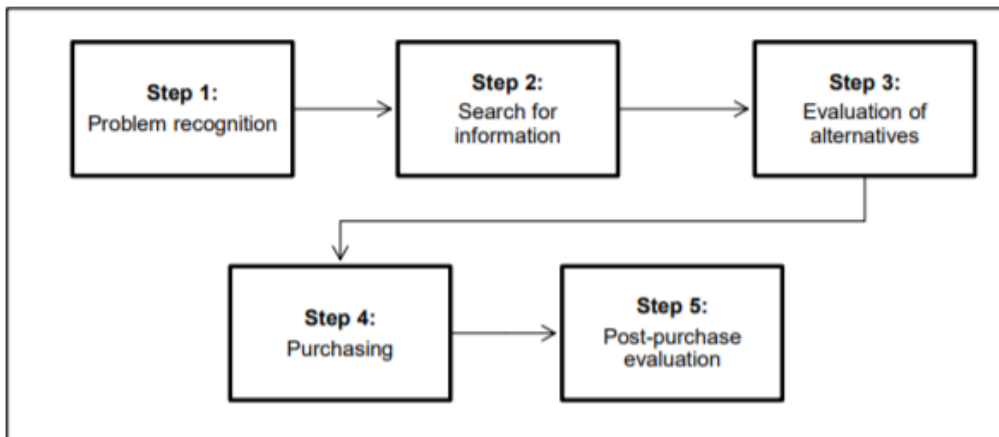
Table 4: Definitions of consumer behaviour

Definition	Source
Consumer behaviour comprises consumers' decisions as a whole with regard to acquiring, consuming and disposing of goods, services, time and ideas by using decision-making units over a period of time.	Hoyer <i>et al.</i> (2013:3); Jacoby (1976:332)
Consumer behaviour transpires before, during and after purchasing, and entails all activities and influences that form part of the purchasing process.	Cant <i>et al.</i> (2006:2); Hawkins <i>et al.</i> (1998:7); Joubert <i>et al.</i> (2013:2)
Consumer behaviour can be understood as the mental and physical activities that households and organisations implement and which lead to decisions made and actions taken to purchase a product in order to satisfy their need.	Sheth <i>et al.</i> (1999:5)
Consumer behaviour entails the interaction between affective and cognitive behaviour demonstrated by consumers throughout the exchange facets of their lives.	Peter and Olson (2010:523)
Consumer behaviour causes consumers to exhibit certain behavioural patterns in their search for a specific product on which they are willing to spend their available resources.	Schiffman <i>et al.</i> (2010:23)
Consumer behaviour is exhibited when a consumer realises a need and seeks to fulfil that need through a set of value-seeking activities.	Babin and Harris (2016:4)

Source: Schiffman & Kanuk (2010)

Today's consumers often risk accumulating debt to satisfy their needs or desires. Therefore, consumers may use a structured approach known as the decision-making process to find a desirable way to fulfil their needs and desires. Below is a small flow chart of the consumer's decision-making process.

Figure 13: Consumer's decision-making process



Source: Schiffman & Kanuk (2010)

3.5 CONCEPTS AND THEORIES OF INDEPENDENT VARIABLES

3.5.1 The performance of cars

Performance quality is defined by the Business Dictionary (2018): “Quality of performance can be assessed through measurements of physical products, statistical sampling of the output of processes, or through surveys of purchasers of goods or services.”

As Siritanapirom (2004) argues the better the performance, the more expensive the purchase price. However, saying this, dealerships must also remember to always cater to their target market. Prices that are not market related will lead to low car volumes and declining profits.

Now that the definition of performance quality is understood, it can be seen that it has the ability to perform certain functions better. For example, selecting vehicle A rather than vehicle B because vehicle A is faster, has more power, and has a smoother ride. However,

it is more expensive. Vehicle B, on the other hand, is small, and is more likely to break down and has less power but is much cheaper.

Yoon and Kim (2000:133) have analysed customers' perceptions on how to measure the performance of a motor vehicle. They found that criteria such as high ease of driving, good speed, engine power and noise levels are key criteria. More so, modern research show that environmental criteria are also important, and that exhaust gas emissions and alternative power sources are also important (Abolhosseini, Heshmati & Altmann, 2014).

It is also stated by Solomon, Russell-Bennett and Previte (2012) that one vehicle may be chosen over other similar products because of its perceived better performance in terms of speed, safety features, technological features, performance in terms of off-road capability and/or the attractiveness of its appearance. It is also further explained by Oxford (2013) that a car fulfils the individual's need for safety due to the bad driving of South Africans as well as the higher risk of death when using your own method of transport.

Lastly, it is stated by Brijball (2000:45) that the best reason for a repurchase is because of the quality, style and most important the performance of the car.

3.5.2 The look and feel of the motor vehicle

"Automotive design is a creative process used to define the physical appearance of motor vehicles such as cars, trucks, motorcycles; it encompasses interior and exterior design" (Strate – School of Design, 2017).

Buyers are willing to pay more for a product (car), which is more attractive. The appearance of a car has the advantage of creating product distinctiveness that is not easy to copy (Yoon & Kim, 2000:130). These authors further state that the appearance of the car can also be measured by the car size, the handling and the good interior space features.

These attributes will be used in this literature review; through thorough research, customers will look at this when they want to buy a car from a dealer. If a customer has a vehicle with specific features in mind and a merchant adheres to it, it makes sense that they will return. It is thus very important to understand the market and what consumers want. Otherwise, they will be scooped by a competitor. In this regard, the Queensland Government (2018)

states that “growing your business without understanding your competitors is risky and almost an unintended task”.

3.5.3 The impact of price, performance and expectations of cars in determining customer satisfaction

Yoon and Kim (2000:131) state that the performance and the overall expectation of a car relates to the overall cost of the car. It contains the reasonable car price, package options that are advantageous to the buyer and a good carmaker choice. This is probably one of the most important points in this literature review. The dealer must mark the right price for the right cars so that the cars’ value correlates with the selling price. If customer get value for their money, they will return for more.

On the customer’s side if the actual (overall) performance of the car meets their pre-perceived expectations that will result in customer satisfaction. On the other hand, if the actual (overall) performance does not meet the customer’s pre-perceived expectations it leads to customer dissatisfaction (Yoon and Kim, 2000:132). By pointing out this variable it does not only stop at the performance of the car, it goes all the way through to the price, type, condition and need for the car.

3.6 CUSTOMERS SWITCHING TO OTHER DEALERS

“Consumer-switching behaviour refers to customers abandoning a product or service in favour of a competitor's product or service” (Mack, 2018). Losing customers to other dealerships can have a massive impact on a company’s profit. Therefore, it is needed to not only adopt strategies to recover lost customers but create strategies to stop customers from leaving in the first place. According to Autologica (2015) “many times we tend to focus on resolving problems instead of doing the more intelligent and longer lasting job of prevention. Saying this, it is also important to remember that sometimes a customer will switch to another dealership that is beyond the dealership’s control”.

There are two types of switchers, namely dissatisfied switchers and satisfied switchers. As Skogland (2014) claims, dissatisfied switchers, generally behave as one might expect. On the other hand, satisfied switchers do not conform to expectations. Most confounding are

satisfied switchers, who report being satisfied but then choose alternative dealerships, rather than routinely choosing the dealership with which they have expressed high levels of satisfaction to (Skogland, 2014).

Skogland continues and explains that dissatisfied switchers are switchers who are not happy with the product or service. This can be minimalised by monitoring customers and their changing behaviour before; act before they even think of switching to a competitor. On the other hand, satisfied customers may act as switchers and stop supporting a specific company's product or service because there is a decline in the demand for these products and services. They, however, still like the company and will probably return once the demand increases.

Autologica (2015) makes it clear that to offering promotions to build customer loyalty is not a sustainable strategy. They feel that one way to differentiate a dealership from other dealerships (the competition) is to implement best practices and new technologies. It is important to have a differentiating factor that customers will value, for example, a policy focused on improving the customer's experience, getting ahead of their problems and by playing a supporting role towards them (Autologica, 2015).

Most customers only switch when they have a good reason for it. There are, of course, several reasons why customers switch from one dealership to another. Autologica (2015) helps to understand some of these reasons using figure 14.

Figure 14: Reasons for losing customers



Source: Autologica (2015)

The largest percentage of people switching to another dealership can be attributed to deficient service. A much smaller percentage switch to another dealer because of a better price or poor quality of the product or service. Yoon and Kim (2000:132) state that a few other factors may also lead to losing customers:

- **Overpromising:** Raising the customer's level of expectation beyond the level that they dealer can deliver. This will lead to unsatisfied customers.
- **Examination of customer needs:** Companies typically focusses too hard on their own needs which in the process leads to them forgetting to examine their customer's needs.

The focus has changed from customer acquisition to customer retention. Customer Relationship Management is a great tool that can be used in the retention of customers. According to Kim and Kim (2014:130), CRM is a good method to use to analyse customer information to make the best marketing strategies and helps to evaluate the effectiveness of marketing activities. Salespeople play an important role in this part. They deal directly with customers, complete the sales and can also build long-term relationships with customers. To optimise salesperson productivity, he/she needs to be equipped with a specific type of skill and customer knowledge.

Salespeople who understand their customers' needs can provide better customer service. Companies need to understand how and when a customer buys a product before their competitors do. It is challenging to predict purchase behaviour, so it's important to implement formal strategies which could positively influence a customer's repurchase behaviour.

Customer Relationship Management (CRM) has a direct impact on a company's profits, one can argue that long-term relationships are of utmost importance (Malik, 2015). To help manage this one needs good information technology (IT) programs. IT programs can't work on its own, so you need a good combination between the programs and the organisation of people and their skills. With this being said, the better a firm understands their technological and organisational capabilities the greater the CRM influence will be. CRM is not only important for the business but also a great tool to create a personal bonding with the customer which may lead the business to new levels of success.

A dealer must also understand that when a personal linkage has been created between the customer and the company it is easy to identify the needs of the customer and how to serve them in a better way. The second-hand motor industry is highly competitive; people do not want to pay too much for a car than they should; this forces companies towards tight profit margins. In this absence of price as a competitive tool, focussing on CRM is important to get a sustainable competitive advantage.

Customers of the second-hand industry are well informed and have a large variety to choose from. Companies cannot rely on customer loyalty anymore and must work harder than ever to earn and retain it. Companies benefit a lot when they retain their loyal customers. These benefits include:

- They are less price sensitive as new customers, they purchase more frequently, they try additional value-added services, they help to get new customers to the business, and they give companies sincere suggestions (Yoon & Kim, 2000).
- Malik (2015) indicates that only a 5% improvement in customer retention can lead to an increase of 25-50% increase in profits, partly because they are less costly to recruit.
- According to Carter (2017) positive customer retention can have the following benefits
 - It's cheaper than acquisition.

- Loyal customers are more profitable.
- The brand starts to stand out from the crowd.
- Customers will explore your brand more.
- Loyal customers are more forgiving.

When potential customers consider buying a car a lot of questions may occur like which brand, the type and model, the price of the car and whether to buy or lease the car. It is also evident, according to Parmer and Dillard (2015:13), that demographic features and personality dimensions play a significant role in whether a buyer will commit or repurchase. Dealers should make an effort to capture customer's profile details to better understand the customer. In this way services can be shaped to maximally address the customer's specific needs, while a focused marketing strategy can also be used to target specific customer profiles with products and services they might desire. When dealerships and companies know their customers (in a personal and demographical way) it will assist the dealer to get the right sales and marketing approaches to gain repeated customers. Customers will think twice before switching to another dealer.

3.7 SUMMARY

As mentioned, Osborne (2017), Head of Gumtree Automotive, believes that while new vehicle sales are obviously very important, more South Africans are looking for guidance on how to navigate the second-hand market which is growing daily in the current tough economy. The need in the market and specific demand in the current economy can enable companies to make bigger profits although they need to compete fiercely with competitors to sell their vehicles.

Companies need to establish and understand their target market (customers) and analyse their needs and concerns. In this study, all the questions are answered as, and solutions provided (Frank *et al.*, 2013:172).

According to Aggarwal *et al.* (2013:99), the internal influence of salespeople on customers has fundamental importance. When customers are satisfied with the service it is more likely that the good service will spread via word of mouth. On the other hand, when customers had

a bad experience companies can be influenced negatively with bad marketing via word-of-mouth.

We Buy Cars has a specific service strategy to supply excellent service to individual customers and also to dealers who buy in bulk. The resulting good word-of-mouth have had a positive influence on the market while personal training of astute salespeople has also led to a personal approach with individual and dealer customers.

CHAPTER 4: RESULTS AND DISCUSSION OF EMPIRICAL FINDINGS

4.1 INTRODUCTION

The purpose of this chapter is to offer a more detailed description of the research methodology followed in this study. The results of the empirical research are also presented and critically discussed. The chapter is divided into two parts:

- The first part entails the research methodology and a discussion of how the data was collected.
- The second part entails a discussion of the data itself. The findings discussed include demographic information; the questionnaire reliability and the assessment of the 12 identified constructs.

There are two key questions in determining the unit of analysis. Firstly, a determination must be made about the lowest level of units that are independent. Often statistical analysis is necessary to determine the extent to which units are independent. Secondly, a determination must be made about the degree of variation in the causal variable (Kenny, 2016).

The unit of analysis can be divided into two groups, namely the individuals and the businesses. Both the individuals and businesses are customers of We Buy Cars and therefore the most suitable unit of analysis to answer the research question.

The individual (private) customers differ between first-time buyers and customers that are repurchasing from We Buy Cars. It is important that they form part of the unit of analysis because by answering the questionnaire it is possible to determine if they are satisfied with the service and whether they will repurchase in the future. The researcher can also determine if they are first-time buyers and if not, he can establish why they chose We Buy Cars again.

The reason why the businesses also form part of the unit of analysis is that they are loyal customers. They are experts in this field, and they have first-hand knowledge of what the market requires and what they are willing to pay.

Both the probability and non-probability methods were considered to determine which method will be the most appropriate for this study. The Web Centre for Social Research

Methods (2016) states the basic difference between non-probability and probability sampling – “the difference is that non-probability sampling does not involve random selection and probability sampling does”. Seeing that this study consists of questionnaires which are handed out randomly to the study population, it was easy to choose between the two methods.

Once the decision was made, more attention could be given to the probability sampling technique. When using probability sampling, everyone in the population group gets an equal chance to be chosen.

There are five different methods of probability sampling: (1) simple random sampling; (2) stratified random sampling; (3) systematic random sampling; (4) cluster random sampling and (5) multi-stage sampling (Foley, 2018).

After reading the explanations of each of the methods of probability sampling, it was decided to make use of the systematic random sampling method. Foley (2018) contents that “systematic random sampling is often compared to an arithmetic progression in which the difference between any two consecutive numbers is of the same value”. This method allows one to create samples without the use of a random number generator.

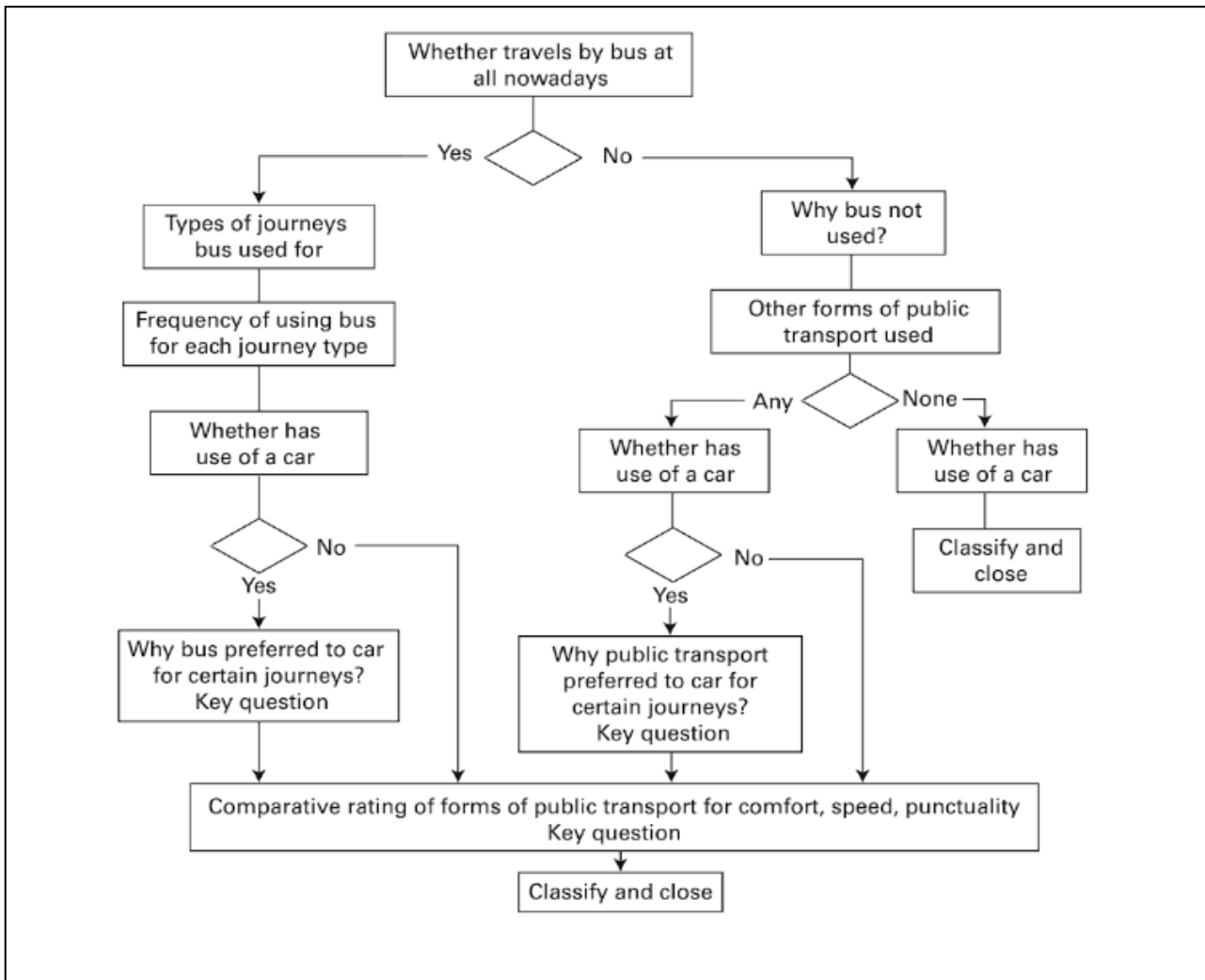
Because it was decided to use the systematic random sampling method, the questionnaires would be given to the sales manager, seeing that all vehicles sold move through his hands. He ensured that every 20th buyer completed the required questionnaire for the study. It was decided to make use of the sales manager's help in this process because one sales person might sell one vehicle a day and others up to five vehicles per day. The systematic random sampling method will not work unless the responsibility is given to the sales manager.

4.2 RESEARCH METHODOLOGY

4.2.1 Questionnaire design

Brace (2018) suggests using the following flow chart when planning a questionnaire.

Figure 15: Flow chart to plan questionnaire



Source: Brace (2018)

Please consult Appendix A for the revised questionnaire.

To collect the primary data on a 5-point Likert scale, a survey method (with the help of a well-structured questionnaire) was used. The questionnaire was drafted in collaboration with We Buy Cars' top management to meet the needs of the business and to also fit the purpose of this study. Office 365 forms is the platform that was used to design the questionnaire. It was designed in such a way that all relevant questions had to be answered to ensure completeness. The confidentiality of participation in the study of each participant was assured.

The questionnaire is based on six different sections, to address different areas that affect customer satisfaction and repurchase intent:

- (1) Overall experience on the marketing tools of We Buy Cars.
- (2) Overall experience at the warehouse.
- (3) Purchase intention.
- (4) Overall service and product quality.
- (5) Repurchase intention if it is your second or multiple visits.
- (6) Repurchase intention if you were a first-time buyer.

Sections 1 and 2 consist of the overall experience of We Buy Cars' customers and is based on the marketing tools, used by We Buy Cars. Sections 3 and 4 consist of the purchase intention, overall service and product quality. These questions were rated according to the 5-point Likert scale with a scale range from 1 (Strongly disagree) to 7 (strongly agree). Section 5 & 6 is based on the repurchase intention of the customer. Section 5 could only be answered by customers that visited We Buy Cars for the second/multiple time. Section 6 could only be answered by customers who were first-time buyers.

Content validity of the questionnaire was achieved by presenting the questionnaire to a group of experts in the motor industry. This group of experts consisted of top management, buyers, sellers, system designers in the motor industry, marketing managers, logistics managers, financial managers and experts who have knowledge in the field of customer service. This step was necessary to evaluate and examine the formulation of questions and the layout of the measurement scale. The group of experts were instructed to provide suggestions for any missing service quality concepts, which they considered essential in such a quality study. The suggestions were considered, and the necessary changes were made to finalize the questionnaire.

4.2.2 Study Population

According to Explorable (2009), a study population is a large collection of individuals or objects that is the main focus of a specific study. Due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time-consuming.

The study population consists of all individual customers who bought cars from We Buy Cars in 1 May 2019 to 11 July 2019, and also the dealers who buy stock from We Buy Cars for resale purposes. The business's customer list consists of dealerships and individuals from across the country.

This study targeted the specific population of We Buy Cars. No sample was drawn. All the customers who bought a vehicle on the address list for the duration of 1 May 2019 to 11 July 2019 received the questionnaire via email. Based on Freyrear's (2015) findings that external surveys have a response rate of approximately 10-15% the questionnaire was sent to the whole population (of May to July) to prevent a shortage of data.

The questionnaire was designed in the program, Office 365, so that all relevant questions had to be answered to ensure completeness. Confidentiality was promised to all respondents. Before answering the questionnaire, all relevant information (for example, the nature and purpose of the research) was provided to the potential respondent. The duration for answering the questionnaire was also included, and it was stipulated that the questionnaire is strictly voluntary. Participants could, at any time, refuse to participate.

Over the two-month period, a total of 6,883 questionnaires were distributed via email; 511 were completed and returned for capturing. This signifies a response rate of 7.42%; this is significantly lower than the response rate suggested by Freyrear (2015).

After the data was collected through the questionnaires, it was analysed. Through data analysis, the key components of customer service were identified, as well as the differences and relationships between the variables. The data was then summarised, and the results presented, enabling the researcher to investigate the results and make the necessary conclusions. In this way, the research questions are answered.

4.2.3 Location of unit of analysis

The unit of analysis was easy to find. The people in the sample will come to one of the We Buy Cars' warehouses to purchase vehicles or to conduct other business. All the customers who purchased a vehicle from 1 May 2019 to 11 July 2019 formed part of the study population, by receiving the questionnaire via email.

Customers of the following branches of We Buy Cars were included in the study:

- The Midstream branch.
- The Johannesburg South branch.
- The Cape Town branch.
- The Durban branch.

The population is thus geographically located in Gauteng, the Western Cape and KwaZulu-Natal. Maps of the location of the unit of analysis is set out below.

Figure 16: Google Map image of the Midstream branch



Source: We Buy Cars (2019)

Figure 17: Google Map image of the Johannesburg South branch



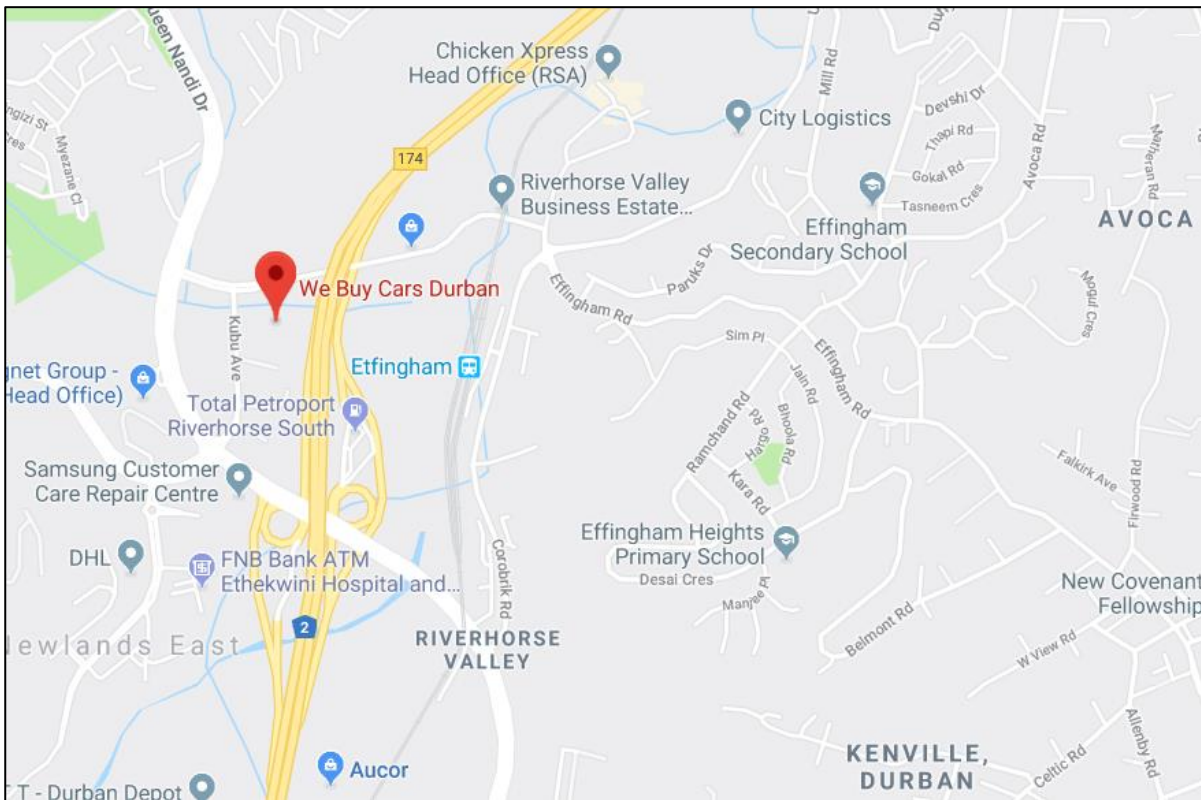
Source: We Buy Cars (2019)

Figure 18: Google Maps image of the Cape Town branch



Source: We Buy Cars (2019)

Figure 19: Google Map image of the Durban branch



Source: We Buy Cars (2019)

4.2.4 Accessibility of unit of analysis

After arranging a We Buy Cars management meeting, permission was granted (for research purposes only) to access the contact details of all customers of the business. No personal information was used for any purpose other than research for this study. What makes this process easier is the fact that all communication information is accurate and up-to-date, as all customer details are updated as soon as purchases are made.

An email was sent to the customers (who form part of the study population) to inform them about the questionnaire. A link to the questionnaire was also attached. The customers were made to understand that this study will give the management of We Buy Cars a better indication on how to better their service. The We Buy Cars' website (2019) states that they pride themselves on high quality, professional and safe service. For this reason, We Buy Cars management agreed on conducting the survey, giving access to customer details and sending out all communication to customers.

4.2.5 Suitability of unit of analysis

The study's primary objective was to measure customer satisfaction and repurchase intention of a selected second-hand motor business in South Africa. Customers of the selected second-hand motor business buy cars on a regular basis, making the customers of this business most suitable and appropriate to answer the questionnaire regarding customer satisfaction and repurchase intention in the second-hand motor business.

This study was conducted on the assumption that the customers' satisfaction with the services received by the second-hand motor business would possibly affect future use of this business, seeing that customers have plenty of options to choose from. The questionnaire sent via email was not only a fast and easy way to communicate with the customers but also the most convenient for the customers. Participants completed the questionnaire in the comfort of their chosen environment, in their own time.

4.2.6 Data Collection

As already mentioned in the above sections, a quantitative approach to gather information to answer the research question was employed. Through this information, the relationship between customer satisfaction and customer repurchase would be determined. If there is a connection it must be determined how good customer service can lead to higher profits.

The relationship between customer satisfaction and repurchase, and what the customers of We Buy Cars regard as "good service" had to be determined. According to Hill, Brierly and MacDougall (2017), tests have shown that the supplier's knowledge of customer needs is usually inaccurate. They also feel that the understanding of customer experience and the extent to which that experience meets their expectations is often even less accurate.

The questionnaire was selected as data-gathering tool to obtain this information from the unit of analysis. "In market research, the term "questionnaire" is used to refer both to questionnaires intended for self-completion by survey participant and to survey instruments designed to be administered by an interviewer" (Brace, 2018). The questionnaire (designed for self-completion by survey participants) was specifically aimed at answering the research question.

When developing a self-developed questionnaire, the first task is to determine what information needs to be collected to answer the research question. It is also important to clearly formulate the questions so that the unit of study doesn't interpret it wrong. According to Brace (2018), the following mistakes must be avoided when formulating the questions: The use of jargon; formulating too long questions or questions that repeat itself.

All relevant factors were taken into consideration while compiling this questionnaire. The questions were in such a format that the respondents would know exactly what was required from them. The questions have also been compiled so that the respondent is not rushed to answer the questions, but that they still maintain interest.

The following steps were taken to collect data:

Step 1: Getting permission

The study has been approved in a managerial meeting by the Faan van der Walt (Chief Executive Officer) and Wynand Beukes (Chief Digital Officer) of We Buy Cars.

Step 2: Awareness of the questionnaire

An email with a link to the questionnaire was sent to all the customers who formed part of the study population, giving context and the purpose behind the questionnaire.

Step 3: Distribution of the questionnaire

As mentioned in step 2 the email sent by the second-hand motor industry had a link to Office 365 forms that opened the questionnaire to all customers that received the email. The questionnaires were distributed on a specific date (1 May 2019) and the deadline (11 July 2019) was determined so that sufficient data could be collected to make the necessary recommendations and conclusions.

Step 4: Collection of data

The IT department of the second-hand motor business assisted in the process of sending out the questionnaires. After the agreed time frame (1 May 2019 –

11 July 2019), the questionnaires and data were collected from Office 365 forms by the researcher for processing and analysis.

4.2.7 Statistical analysis and decision criteria

The data obtained from the questionnaires was captured and analysed by the software IBM Statistical Package for Social Sciences software (Version 25). The data and their respective decision-criteria were analysed by several quantitative statistical techniques as shown in table 5.

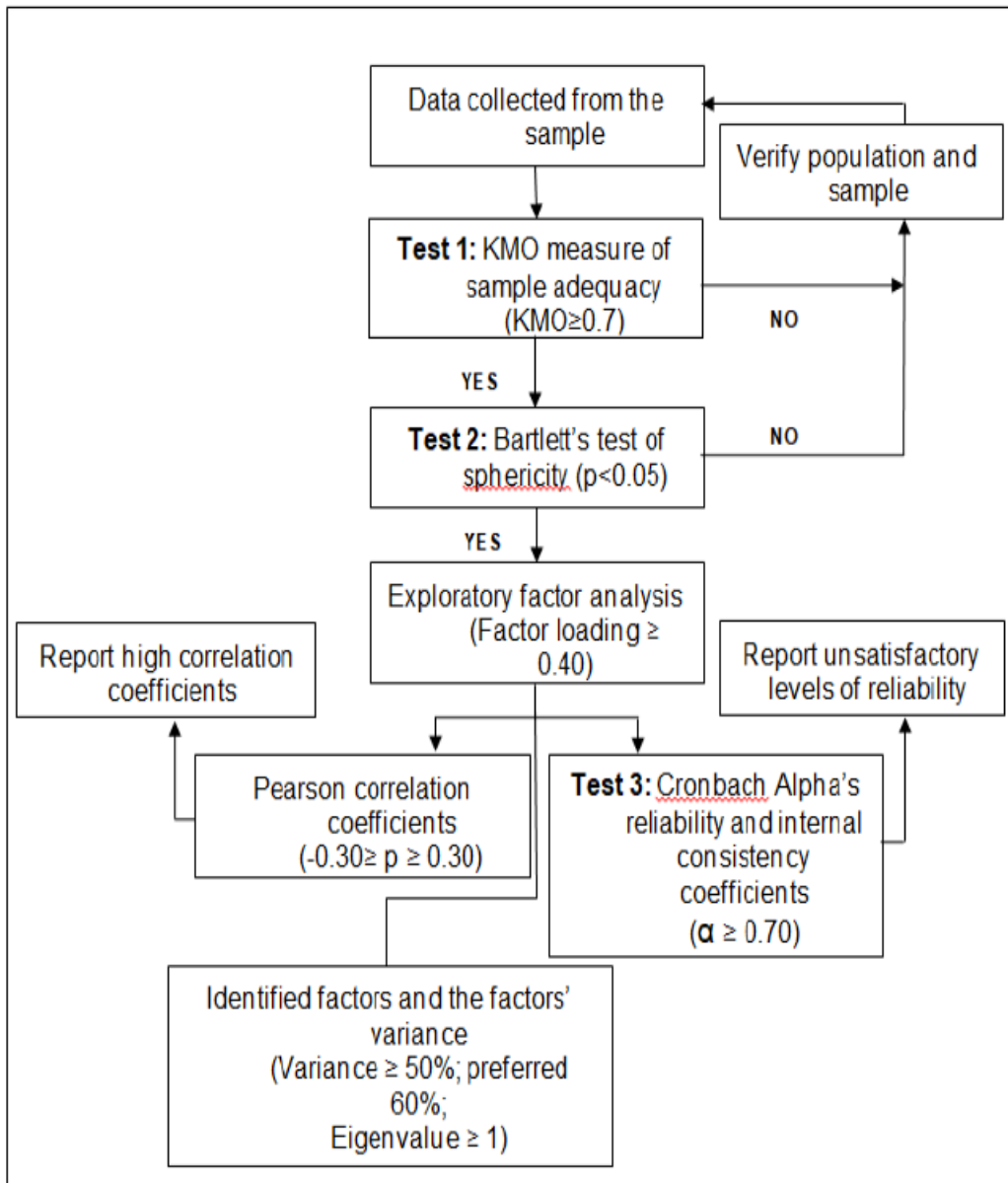
Table 5: Statistical techniques employed and decision criteria

Statistical technique	Decision criteria	Substantiating source
Descriptive statistics	***	Field (2009)
Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy	KMO \geq 0.9 (Excellent) KMO \geq 0.8 (Very good) KMO \geq 0.7 (Good) KMO \geq 0.6 (Acceptable) KMO \leq 0.6 (Unsatisfactory)	Field (2009) Fields & Bisschoff (2013b) Imandin (2015) Golafshani (2003)
Bartlett's test of sphericity	$p < 0.05$	Field (2009) UCLA (2017a)
Cronbach Alpha reliability coefficients	$\alpha \geq 0.70$ (Reliable) $0.57 \leq \alpha \leq 0.70$ (Acceptable) $\alpha \leq$ (Not reliable)	Salkind (2000) Cortina (1993) Field (2009)
Exploratory factor analysis (Orthogonal Varimax rotation)	Factor loading ≥ 0.40 Variance $\geq 50\%$ (Acceptable) Variance $\geq 60\%$ (Desirable) Eigenvalue ≥ 1	Costello & Osborne (2005) Field (2009) Arbuckle (2012) UCLA (2017a; 2017b)
Pearson correlation coefficient	$-0.30 \geq p \geq 0.30$ $p \geq 0.05; 0.10$	Tang <i>et al.</i> (2003) Du Plessis (2010) Zikmund (2008)

Source: Original sources retained as cited by Shaikh (2017)

To illustrate the inter-relationships between the different techniques and their chronological order of use, the statistical analysis decision tree in Figure 20 (originally developed by Naidoo 2011) was used as a guide.

Figure 20: Statistical Analysis Decision



Source: Adapted from Arbuckle (2012), Naidoo (2011:19) and Field (2009)

4.2.8 Ethical considerations

According to Walton (2018) “research ethics is specifically interested in the analysis of ethical issues that are raised when people are involved as participants in research”. There are three objectives in research ethics:

- The first and broadest objective is to ensure protection for human participants.
- The second objective is to ensure that the research is conducted in such a way that the interests of individuals, businesses or society as a whole are served.
- The third goal is to investigate the specific research activities for their thoroughness, such as the process of informed consent (Walton, 2018).

There was no compensation for responding nor any risks. All information would remain confidential; therefore, participants were asked to exclude their name or the name of their dealership. Participation was strictly voluntary, and respondents may refuse to participate at any time. Participants conduct the questionnaire in the comfort of their own environment. Thus, the identity of the participant would remain unknown.

Personal data of the customers that participated voluntarily was processed lawfully and fairly and used only for the study. Personal responses from customers were not ascribed to any individual. The interpretation of the survey finding was upheld with independent objectivity.

This study was evaluated for compliance with the ethical standards, practices and requirements of the North-West University’s Ethics Committee (Faculty Economic and Management Sciences). The committee approved the study and classified it as a minimal risk study; a study-specific ethics number *NWU-00415-19-A4* was issued. All privacy, confidentiality or rules as required by the ethical application were adhered to during the study.

4.3 RESULTS

The data collected in this study consists of data from dealers (who buys cars to resell) and then also individuals (who buy cars for daily use). In total 23 dealers participated, and 486 individual car buyers completed the questionnaire. The results contain descriptive statistics. The analysis includes descriptive statistics, the (dis)similarity between the two groups using the effect size, and exploratory factor analysis as multivariate technique to identify if

underlying intelligence embedded within the data. The analysis also explored if any significant correlations exist between the variables and if the data was reliable. Finally, the model fit was determined by structural equation model fit indices.

4.3.1 Demographic profiles

The demographic profiles of the dealers and the individual customers appear in the table below:

Table 6: Demographic profile of the respondents

Variable	Dealer	Individual
Age		
18-25	4%	8%
26-30	0%	12%
31-40	17%	34%
41-50	17%	23%
Above 50	61%	23%
Gender		
Male	91%	68%
Female	9%	32%
Population group		
Black	0%	38%
White	61%	47%
Coloured	4%	8%
Indian	30%	5%
Other	4%	2%
Level of employment		
Junior	0%	11%
Middle	9%	29%
Senior	48%	37%
Specialist	43%	17%
Unsure	0%	6%
Highest Qualification		
Below Matric (Grade 12)	4%	3%
Matric (Grade 12)	26%	21%
Diploma/Certificate	43%	39%
Degree	17%	21%
Post-graduate degree	9%	16%
Years of work experience		
Less than 1 year	0%	2%
1 to 5 years	4%	12%
More than 5 up to 10 years	0%	18%
More than 10 up to 15 years	4%	15%
More than 15 years	91%	53%
Was this your first visit at We Buy Cars		
Yes	13%	70%
No	87%	30%

In the demographic profile the dealers are represented by 4.5% of the responses, and individuals by 95.5%. Both the dealers and individuals were divided into sub sections. Some 61% of the dealers were above 50 and almost all of them (91%) are males. Some 43% were specialists in the field and hold either a diploma or certificate. It's also important to note that 91% of them had more than 15 years' work experience in their respective fields.

Regarding the individuals', the results were more evenly split. Only 8% were under 25 where the majority were between 31-40 years old with a 34% representation. The gender distribution is 68% male and 32% female. Senior management respondents represent 37%, while 39% have a diploma, 53% had more than 15 years' work experience, and 70% said it was their first visit to We Buy Cars.

4.3.2 Descriptive statistics and practical significant differences

In Table 5 the experiences of both the dealers and the individuals are portrayed. The table shows the mean values of the dealers as well as that of the individuals. The table also shows the means of each of the sections (see "Grand mean" values). Finally, the effect size on each antecedent was calculated and shown in the table.

According to Ellis and Steyn (2003:52), there is an advantage in drawing a random sample. In such cases statistical significance tests are used to prove that the results are significant. As a result of this the p-value is created. The p-value can be classified as small when smaller than 0.05, which means there is sufficient evidence that the result is statistically significant.

According to Ellis and Steyn (2003:52), one way of commenting on a practical significance is to use the standardised difference between the means of the two populations – that is, the difference between the two means divided by the estimation of the standard deviation. That is how a measure, called the effect size, is introduced, that not only makes the difference (independent of units and sample size) but it also relates to the distribution of data.

The effect size d-value range between 0 and 1.0. A d-value of 0.8 and higher implies that there is a large practical significance. Values between 0.5 and 0.8 suggest medium practical significance, where a d-value of more than 0.2 but less than 0.5 signifies a small or moderate significance (Ellis & Steyn, 2003:54).

4.3.3 Mean values and practical significant differences between dealers and individuals

Tables 7 to 12 show the mean values and effect size of the dealers and the individuals for each of the categories.

Table 7: Overall experience on the marketing tools of We Buy Cars

No.	Measuring criteria	Dealer Mean	Individual mean
A1	Did the marketing of We Buy Cars grab your attention?	3.87	4.00
A2	Did marketing play a role for you visiting at We Buy Cars?	3.73	3.70
A3	Do you think We Buy Cars is visible enough when it comes to marketing?	3.98	4.13
A4	In your opinion did radio play a role in your visit to We Buy Cars?	2.78	2.87
A5	In your opinion did television play a role in your visit to We Buy Cars?	2.59	2.74
A6	In your opinion did billboards play a role in your visit to We Buy Cars?	3.27	3.52
A7	In your opinion, is online marketing the primary key to marketing for We Buy Cars?	3.80	3.39
A8	Overall do you feel We Buy cars does good marketing?	3.99	4.17
A9	Would you recommend us to your friends?	3.91	3.83
GRAND MEANS		3.54	3.59
EFFECT SIZE			0.08

From the results obtained from Table 7, it is clear that dealers feel that:

- (1) We Buy Cars are doing well in marketing.
- (2) We Buy Cars are visible enough.
- (3) They would recommend We Buy Cars to their colleagues.

It also appears that television does not play a significant role in the reason for their visit. This will be good news for management as the television marketing budget has been cut

significantly. It is also clear from this table that individuals feel more or less the same as the dealers. They agree that television marketing does not play a big role in their visit.

Table 8: Overall experience at the warehouse

No.	Measuring criteria	Dealer Mean	Individual mean
B2	Your first impression was amazement when you entered the warehouse or sales floor.	4.13	4.09
B3	I received first-class service from a salesperson on the floor?	3.80	3.48
B4	The staff were friendly towards me.	4.00	3.74
B5	Did the person servicing you have the necessary skills or knowledge to assist you?	3.95	3.61
B6	Did our salesperson make you aware of all our specials and products available?	3.45	3.09
B7	Would you change the way We Buy Cars do business?	3.04	3.48
B9	Will you visit We Buy Cars again?	3.84	4.09
B10	Were your visit enjoyable & problem free?	3.58	3.65
B11	Were you truly satisfied with the whole experience?	3.46	3.83
GRAND MEAN		3.69	3.67
EFFECT SIZE			0.03

Table 8 shows that both dealers and individuals are pleasantly surprised when they enter the sales floor. It is also clear that both parties will visit We Buy Cars again.

With an average mean of 3.09 of question B6, it's evident that not all individuals feel that they have been made aware of the special offers and products that are available.

Table 9: Purchase intention

No.	Measuring criteria	Dealer Mean	Individual mean
C1	Did you find what you were looking for?	4.16	3.61
C2	Did you buy anything that was not on your shopping list?	2.54	3.22
C3	Did We Buy Cars satisfy your needs?	3.70	3.61
C4	Were you just visiting without an intent to buy a car?	2.23	2.74
C5	Did you enter the building to buy a vehicle?	4.33	4.26
GRAND MEAN		3.39	3.49
EFFECT SIZE			***

*** not calculated due to low reliability

From the results obtained from table 9, it is clear that customers are entering the building for the purpose of purchasing a vehicle. They enter the warehouse with the intention of buying a vehicle; they do not just enter the warehouse out of curiosity or to browse.

Table 10: Overall service and product quality

No.	Measuring criteria	Dealer Mean	Individual mean
D1	Were you made aware of our financial services?	3.57	***
D2	Were you made aware of our insurance services?	3.38	***
D3	How will you rate our finance services (if applicable)?	***	***
D4	How will you rate our insurance services (if applicable)?	***	***
D5	Did you receive value for money today?	3.62	3.43
D6	Was there enough product variety today?	3.87	3.65
D7	Was the product quality up to standard?	3.58	3.35
D8	Would you prefer price over quality?	2.61	2.83
D9	Did the geographic location of We Buy Cars play a role in your visit?	3.44	3.39
D10	How likely will you prefer We Buy Cars to other people/businesses?	3.92	3.91
GRAND MEAN		3.43	3.33
EFFECT SIZE			0.15

From table 10 it is clear that customers are satisfied with the overall services and product quality of We Buy Cars. It is clear and very interesting to see that both the dealers and individuals will not choose price over quality, but rather quality over price.

Table 11: Repurchase intention (second/multiple revisited)

No.	Measuring criteria	Dealer Mean	Individual mean
E1	Did you repurchase because of our service?	3.29	3.00
E2	Did you repurchase because of our variety of products?	3.61	3.95
E3	Did you repurchase because of our lower prices?	3.64	2.70
E4	Did you repurchase because of a specific product we had?	3.68	3.35
E5	Did you repurchase because we were the best in service & price comparing to other dealerships?	3.51	3.00
GRAND MEAN		3.53	3.20
EFFECT SIZE			0.42

Table 11 makes it very clear that most customers revisit We Buy Cars because of their wide variety of products. They also repurchased because of a specific product that was on the sales floor, which could not be found at other locations.

Table 12: Repurchase intention (first visit)

No.	Measuring criteria	Dealer Mean	Individual mean
F1	Will you return because of our service?	3.58	4.33
F2	Will you return because of our variety of products?	3.89	4.33
F3	Will you return because of our competitive prices?	3.81	4.00
F4	Will you return because of a specific product we had?	3.58	3.67
F5	Will you return because we were the best in terms of service & price comparing to other dealerships?	3.50	3.67
GRAND MEAN		3.66	4.00
EFFECT SIZE			0.31

The results in table 12 show that individuals will visit We Buy Cars again thanks to good customer service, the variety of products offered and the competitive prices they display.

Regarding the practical significant differences between the dealers and individuals, only *Repurchase intentions* show practical significant differences with the *first visit* (0.31) and *second visit* (0.42) both being medium practical significant differences.

4.3.4 Exploratory factor analysis

Successful exploration of factor analysis requires data that is suitable for multivariate analysis. Adequate sample and low sphericity data properties are needed to successfully extract significant factors from data. In this study, the Kaiser-Meyer-Olkin tests were used to determine the suitability of the data for factor analysis (Barnard, 2019).

The analysis from the tables above shows that there are no large practical significant differences between the perceptions of the dealers and that of the individuals when they evaluate their service encounter at We Buy Cars. Resultantly, the data can be combined (Moolla, 2010) in the analysis to determine if underlying intelligence (or factors) exist in the dataset.

4.3.4.1 Kaiser-Meyer-Olkin and Bartlett's test

As mentioned above, the sampling adequacy can be determined by examining the Kaiser-Meyer-Olkin (KMO). The adequacy of the sample (in this case the number of respondents in the population) was determined by calculating the KMO measure of sampling adequacy (Field, 2009:666).

The Bartlett test of sphericity was also used to determine the sphericity within the data. According to Williams, Onsman and Brown (2010:10), low sphericity (lower than 0.05) and high sample adequacy (greater than or equal to 0.70) are required to determine whether the data is suitable for exploratory factor analysis. The results are shown below, in Table 13.

Table 13: KMO and Bartlett's Test

Kaiser-Meyer-Olkin and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.919
Bartlett's Test of Sphericity	Approx. Chi-Square	7656.205
	Df	4.35
	Sig.	0.000

Source: Field (2009:668)

The Kaiser-Meyer-Olkin measure displays a value of 0.919, indicating that the sample is adequate. The Bartlett's test of sphericity also returned a favourable value less than the required value of 0.05.

The Eigenvalue is initially used if a factor should be retained. Normally, a scree plot or the Kaiser criterion (Eigenvalue exceeds one) is used to determine the number of factors that are retained. However, parallel analysis (as a secondary measure) should be used to retain a more scientific and accurate number of factors. However, parallel analysis (as a secondary measure) should be used to retain a more scientific and accurate number of factors, as indicated by Patil *et al.* (2008a). Extracted factors must be repeated if the eigenvalue is more than one and also if the eigenvalue is greater than the value calculated by the parallel analysis software (Patil *et al.*, 2008b). These results appear in table 14.

Table 14: Retained factors as per the Parallel Analysis Engine

Factor	Parallel Analysis Engine	Eigenvalue	Retain or discard factor
1	1.793	27.934	Retain
2	1.694	14.711	Retain
3	1.623	7.437	Retain
4	1.582	4.743	Retain
5	1.521	3.642	Retain
6	1.479	3.423	Retain
7	1.444	3.113	Retain

Generated from: Patil *et al.* (2008b)

In brief, if the KMO indicates sample adequacy and Bartlett's test of sphericity indicates the item correlation matrix is not an identity matrix, then researchers can move forward with the factor extraction (Field, 2009:668).

4.3.4.2 Exploratory factor analysis

Seven factors were identified using exploratory factor analysis with orthogonal varimax rotation. According to Beavers *et al.* (2013), rotational techniques serve to create a more interpretable solution than principal component analysis, because it identifies factors and commonality, without altering the structural relationships. Field (2009:669) points out that a varimax rotation is particularly suitable for exploratory studies (such as this study) because it attempts to maximise the variance per factor explained. The factor loadings of 0.40 and above are significant and have been used in the analysis (Field, 2009:671).

Table 15: Total Variance Explained by the factors

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation sums of Squared Loading
	Total	% of Variance	Cum%	Total	% of Variance	Cum %	Total
1	10.102	33.673	33.673	10.102	33.673	33.673	7.836
2	2.270	9.068	42.741	2.720	9.068	42.741	4.815
3	1.611	5.370	48.111	1.611	5.370	48.111	1.676
4	1.567	5.225	53.336	1.567	5.225	53.336	3.955
5	1.193	3.977	57.313	1.193	3.977	57.313	1.336
6	1.075	3.582	60.895	1.075	3.582	60.895	6.179
7	1.041	3.470	64.364	1.041	3.470	64.364	2.641

From the table it is clearly visible that a satisfactory cumulative variance is explained by the factors (64%) which exceed the desired variance explained by 60%.

Table 16 shows the results of the rotated principal component matrix. An oblique rotational technique "Oblimin" was used with Kaiser normalisation. A total of seven factors were identified.

Table 16: Exploratory factor analysis

Nr	Factors						
	1	2	3	4	5	6	7
D5	0.891						
D7	0.842						
B9	0.697						
D6	0.689						
C3	0.688						
A82	0.676						
C1	0.629						
B11	0.519						
A7		0.751					
A8		0.742					
A2		0.680					
A1		0.652					
A3		0.618					
A6		0.440					
C42			-0.837				
C4			0.809				
D2				0.874			
D1				0.861			
B6				0.578			
D8					0.708		
C2					0.647		
B3						0.748	
B4						0.641	
B5						0.602	
B10						0.546	
B2						0.473	
A4							-0.807
A5							-0.798

Factor 1: Customer Satisfaction

This factor consists of 8 statements, namely statements number D5, D7, B9, D6, C3, A82, C1 and B11. All the statements under factor 1 deal with the overall customer satisfaction of the customer when visiting or purchasing at a We Buy Cars as the dealer. The factor is thus labelled as Customer Satisfaction. Statements D5 and D7 have factor loadings in excess of 0.80, suggesting that these statements are regarded as very significant by the respondents that participate in this study. This factor explains a variance of 33.67%. Thus, this finding is supported by Gonzalés (2015:62) that satisfied customers will repurchase. The conclusion

can be made that customer satisfaction has a huge impact on when deciding when to purchase or to repurchase.

Factor 2: Marketing Channels

Statements A7, A8, A2, A1, A3 and A6 all loaded on factor 2. All the statements have factor loadings below an absolute value of 0.80, but all of them except for statement A6 are well in excess of the cut-off factor of 0.50. All the statements relate to the marketing channels used by We Buy Cars in their second-hand motor activities uses to attract customers. The factor explains a variance of 9.07%. It is evident and supported by Wyner (2006:9) that appropriate use of marketing channels is essentially about winning the battle for the customer's choice.

Factor 3: Intention to Purchase

A total of 2 statements loaded on factor 3, namely C42 and C4. All the statements under factor 3 deal with a customer's intention to repurchase at a second-hand motor dealer. The factor is thus labelled as Intention to Purchase. C42 have a factor loading way below the cut-off factor of 0.50 suggesting that this statement wasn't very significant to the respondents that took part in this study. On the other hand, statement C4 shown significance with a factor loading above 0.80. The factor explains a variance of 5.37%.

According to Curtis *et al.* (2011:20) repurchase intention has a powerful impact on a business' performance seeing that it provides a competitive advantage, loyal customers and increases customer satisfaction. Kitchathorn (2010) further explains that repurchase intention is furthermore important to businesses because the cost of acquiring new customers costs approximately six times more as retaining customers.

Factor 4: Service Options

A total of 3 statements are loaded on factor 4 namely D2, D1 and B6. All the statements under factor 4 relates to certain services and products made available to customers. The factor is thus labelled as Service Options. Statements D2 and D1 both have factor loadings in excess of 0.80, suggesting that these statements are regarded as very significant by the respondents who participated in this study. The factor explains a variance of 5.23%. Thus, this finding suggests that customers want to know which service and products they have at their disposal.

Factor 5: Consumer Behaviour

Statements D8 and C2 loaded on factor 5. All the statements under factor 4 relates to the customers' intention and behaviour when deciding to buy a second-hand motor vehicle. The factor is thus labelled as Consumer Behaviour. Statements D8 and C2 have factor loadings below an absolute value of 0.80, but well in excess of the cut-off factor loading of 0.50. The factor explains a variance of 3.98%. This finding is supported by Schiffman and Kanuk (2010). Certain customers portray a certain behaviour when pursuing to purchase, use, evaluate or disposing a product or service.

Factor 6: Overall Experience

A total of 5 statements loaded on factor 6 namely B3, B4, B5, B10 and B2. All the statements under factor 5 relate to the customers' overall experience when visiting a second-hand motor dealer. The factor is thus labelled as Overall Experience. Statements B3, B4, B5 and B10 have factor loadings below an absolute value of 0.80, but well in excess of the cut-off factor loading of 0.50 suggesting that these statements are regarded as significant by the respondents that participated in this study. The factor explains a variance of 3.58%. These results are supported by Mack (2018) that a customer is not satisfied with his overall experience if it ends up in customers abandoning a product or service.

Factor 7: Media Platforms

Statements A4 and A5 loaded on factor 7. All the statements under factor 7 deal with what, according to the dealer, is this second-hand dealer's primary marketing tool. The factor is thus labelled as Media Platforms. Both these statements have a factor loading way below the cut-off factor of 0.50 which suggest these statements are not significant at all. The factor explains a variance of 3.47%.

4.3.5 Reliability of the data

The reliability as per Cronbach's coefficient alpha is shown in table 17.

Table 17: Reliability of the data and the factors

Factors	Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
1	0.775	0.794	9
2	0.829	0.830	9
3	0.190	0.173	5
4	0.717	0.712	7
5	0.721	0.716	5
6	0.932	0.934	5
7	***	***	2

*** could not be calculated due to limited criteria

The reliability coefficients for the data of six of the seven sections in the questionnaire returned very satisfactory reliability coefficients ($\alpha \geq 0.70$) (Tavokol & Dennick, 2011:53). Section C, however, returned a disappointingly low reliability coefficient ($\alpha = 0.173$). This means that although the data may be usable in this study, the results from this section cannot be operationalised as the findings are unlikely to represent themselves in repetitive or similar studies. Possible reasons for the low alpha coefficient could be that there are not enough questions in the section (this is an unlikely reason), or that poor interrelatedness could exist between questions of Section C. This means that the questions could be measuring more than one latent variable (this lack of internal consistency is a plausible reason for the low alpha coefficient) (Tavokol & Dennick, 2011:54; Field, 2009:658).

4.3.6 Correlations between the variables and factors

For practically significant correlation, a correlation coefficient of 0.1 indicated a small, non-practically significant correlation. A correlation coefficient of 0.3 indicated a medium, practically visible correlation. A correlation coefficient of 0.5 indicated a high and practically important correlation (Steyn, 2009:4).

Correlations between demographical variables and factors were calculated to establish whether there are practically significant relationships between the factors and the selected demographics. No significant correlations have been found. This means that the

demographic variables do not influence the purchase intention of the customer when it comes to a second-hand vehicle.

Correlations between the different factors, however, do exist. Only strong correlations of 0.50 and higher are discussed. Note that Factor 3 was omitted from the correlational analysis because it has a low reliability (Cronbach Alpha coefficient of 0.190) (NWU Statistical Consultation Services, 2019). Factors 7 was also excluded because only two criteria loaded onto the factor; the reliability of this factor could, therefore, not be calculated.

Table 18: Correlation between factors

	Factor 1	Factor 2	Factor 4	Factor 5	Factor 6
Factor 1	***	0.507	0.496	0.573	0.464
Factor 2	0.507	***	0.689	0.596	0.784
Factor 4	0.496	0.689	***	0.637	0.677
Factor 5	0.573	0.596	0.637	***	***
Factor 6	0.464	0.784	0.677	***	***

*All correlations significant at $p \leq 0.10$
Factors 3 and 7 omitted due to low reliability coefficients*

Customer Satisfaction and Marketing Channels

The coefficient ($r=0.507$; $p \leq 0.1$) indicates a significant and high correlation. This correlation is on the verge of the cut-off mark and means that a high level of customer satisfaction relates from different marketing channels.

Customer Satisfaction and Overall Experience

The coefficient ($r=0.573$; $p \leq 0.1$) indicates a significant and high correlation. From this, it can be seen that a high level of customer satisfaction will imply a high level of the customers' overall experience. This means that the level of customer satisfaction could strongly influence the customer's overall experience. The reason for this can be attributed to the fact that a higher level of customer satisfaction might provide a person with a more enjoyable experience.

Marketing Channels and Service Options

The coefficient indicates that a significant and high to very high correlation ($r=0.689$; $p \leq 0.1$) exists between different marketing channels and different service options and vice versa.

This indicates that customers will not necessarily know about the different service options if adequate and appropriate marketing is not done.

Marketing Channels and Overall Experience

The coefficient ($r=0.596$; $p\leq 0.1$) indicates a significant and high correlation which means that the user's overall experience is highly influenced by the marketing channels. This indicates that marketing channels are a necessity when one wants to secure customers overall experience of high quality.

Marketing Channels and Media Platforms

The coefficient ($r=0.784$; $p\leq 0.1$) indicates that a very highly correlation exists between the relationship of the marketing channels and the media platforms. The two factors are very close to each other and complements each other well. Without proper media platforms and channels marketing cannot be applied efficiently.

Service Options and Overall Experience

The coefficient ($r=0.637$; $p\leq 0.1$) indicates a significant and high correlation exists between the service options and the overall experience. This means that the company's service options will have a direct positive influence on the customer's overall experience. The more service options there are, the more needs can be addressed, and the better the customer's experience should be.

Service Options and Media Platforms

The coefficient ($r=0.573$; $p\leq 0.1$) indicates a significant and high correlation exists between the service options and media platforms. This means that service options can be advertised on media platforms with good effect.

4.3.7 Structural equation model fit

Next, the identified factors were subjected to structural equation modelling to determine how well the model fits and if it can be used in the analysis of the experience when a customer buys a second-hand car. The statistical software AMOS was used to perform the structural equationing and to calculate the relevant model fit indices.

There is a variety of fit indices available that can be used to measure the goodness of fit of a model. Fit, according to Kenny (2016), refers to the “ability of a model to reproduce the data (that is, usually the variance-covariance matrix)”. Kenny also mentions that a good-fitting model is not necessarily a valid model (the inverse is also true). This study, based on advice from the North-West University’s Statistical Consultation Services, selected four fit indices to use as indicators of model fit. These are the CMIN, *Comparative Fit Index* (CFI), *Root Mean Square Error of Approximation* (RMSEA) fit index and *Hoelters Fit Index*.

4.3.7.1 Model Fit Summary

The AMOS statistical programme provides an output report for three models: (1) Default model – the designed model; (2) Independence model – also called *Null model* and (3) the Saturated model – which uses the maximum available parameters and thus ensures that it is perfect (Reifman, 2007). Satir (2007) gives a detailed explanation of what each of these models entails:

(1) *Default model*

The default model is more judicious than the saturated model and almost always fits better than the independence model when measured by the goodness of fit. This model is, therefore, a good middle ground between the trivial saturated model and terrible explanatory power of the independence model (which assumes no relationships).

(2) *Independence model*

As mentioned in the previous point, the independence model is a model that assumes that all relationships, among measured variables, are 0. This implies that the correlations among the latent variables are also 0 (therefore this model is also referred to as the null model).

(3) *Saturated model:*

This model is the trivial but fully explanatory model in which there are as many different parameters estimates as there are degrees of freedom. For a saturated model, the most goodness of fit measures will be 1.0, but since the saturated models are the most parsimonious models possible, the parsimony-based goodness of fit measures will be 0.

Table 19: Model Fit Summary

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	96	2461.673	399	.000	6.170
Saturated model	495	.000	0		
Independence model	30	8402.091	465	.000	18.069

4.3.7.2 Comparative Fit Index

The Comparative Fit Index (CFI) is a normed fit index which takes into account the sample size that performs well, even when the sample size is small (Tabachnick & Fidell, 2007). This statistic assumes that all latent variables are not correlated and compares the sample covariance matrix with this null model. The values of the statistics vary between 0.0 and 1.0 with values closer to 1.0 indicating a good fit (Tabachnick & Fidell, 2007). This study returned a CFI of 0.740 (see Table 19) which is below the required 0.90 value to show a good fit. However, Moolla and Bisschoff (2010:7) point out that such high CFI values are usually associated with confirmatory studies of model fit. In exploratory studies, a CFI of 0.70 and higher provides a satisfactory point of departure for future model confirmation. Moolla and Bisschoff (2010:8), however, point out that “a fair model fit” is represented by a CFI of 0.80 and higher.

Table 20: Comparative Fit Index

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	.707	.659	.742	.697	.740
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

4.3.7.3 Root Mean Square Error of Approximation (RMSEA)

The *Root Mean Square Error of Approximation* (RMSEA) for this model is high (0.101) which indicates, in contrast to the CFI, a poor model fit. Dixon and Dixon (2010:117), point out that ideally, an RMSEA should be lower than 0.05 to indicate a good fit, while models that have an RMSEA of more than .10, shows a poor fit. As secondary indicator, the difference between the lower confidence limit of 0.97 and a higher limit of 0.105, is, however, showing a very narrow confidence interval (0.008) which is satisfactory. This means that although the

RMSEA index is below acceptable levels, the model cannot be disregarded and further fit indices should be considered to determine the model fit (Browne & Cudeck 1997:232-243).

Table 21: Root Mean Square Error of Approximation

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.101	.097	.105	.000
Independence model	.183	.180	.186	.000

4.3.7.4 Hoelter's Index

Hoelter's Index shows a satisfactory goodness-of-fit index for the model at both significance levels of 0.05 (N=93) and 0.01 (N=97). *Hoelter's Index* renders a verdict on the critical sample size (N); this means that the sample size is adequate (Moola & Bisschoff, 2010:7), the model for the second-hand car industry is a good fit according to the *Hoelter's Index*.

Table 22: Hoelter's Index

Model	HOELTER .05	HOELTER .01
Default model	93	97
Independence model	32	33

In summary, the different indices show that the model is overall acceptable as a fair fit. This is conditional to the fact that this study is largely exploratory in nature, and good model fits are seldom achieved in first studies. However, the model fits are satisfactory and do provide a base for future researchers aiming to develop a model for the second-hand vehicle market.

4.4 SUMMARY

The objectives of this chapter were to describe the research design and methodology of the study and to report on the empirical findings of the study.

The study population and technique used to collect the data were discussed. This study targeted the population and thus no sample was drawn. The study population consisted of a total of 6,883 customers of We Buy Cars. This chapter discussed the statistical techniques used in the study. The Cronbach Alpha coefficient established the reliability of the data. The adequacy of the sampling was tested using the Kaiser Meyer-Olkin Measure or Sampling

Adequacy. Descriptive and derivative statistics were used to measure the mean and standard deviations of the different service quality dimensions.

Additionally, it was used to compare the level of customer satisfaction with the quality of service received from the We Buy Cars. The data collected from the exploratory factor analysis were validated and factors of the measuring instrument were identified. Exploratory factor analysis was used to determine the underlying or latent variables of service quality in the second-hand car market.

The chapter also presented the findings, analysis, discussion and interpretation of the empirical results of this research in the form of tables and figures to answer the research objectives and questions. The analyses and interpretation of the findings were presented to such an extent that the empirical objective of the study was achieved.

The reliability and validity of the questionnaire used in the study were highlighted. The chapter further includes preliminary analyses with descriptive statistics and demographic characteristics of the population employed in the study. Using an exploratory factor analysis, seven determinant dimensions were extracted that constitute second-hand motor service quality.

The next chapter is the final chapter; it offers conclusions and recommendations and also concludes the study.

5 CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

Chapter 5 is the final chapter of the study. This chapter aims to conclude the study, to formulate recommendations and to postulate possible areas for further research. The study also presents a summary of the findings on the customer satisfaction investigation and ultimately an overview of the study.

5.2 CONCLUSIONS

The second-hand motor industry in South Africa is highly competitive and subject to a lot of different factors influencing customer satisfaction. Customer satisfaction is highly regarded in this industry, seeing that it has a direct influence on repurchase intention. Individuals normally buy one car every five years, so to attract new customers and keep existing customers, the customer satisfaction levels should be high.

The second-hand motor industry forms part of a highly competitive market where a high quality of service is required and expected; making the interaction and service required critical. Customer satisfaction can strongly affect one's profits and as mentioned by Hu (2011) customer value has a huge impact on the customers' loyalty and are also the driving force behind customer attraction, retention, and repurchase.

Through this study, more knowledge was gained about exactly what results in customer satisfaction. There was also determined which areas or gaps need to be addressed to achieve a higher level of customer satisfaction to meet customers' expectations. This study helps the second-hand motor industry to understand the significant issues which are affecting their performance and their customers. The investigation revealed that the second-hand motor dealer has a tremendous opportunity to enhance their customer satisfaction levels, which will lead to customers repurchasing.

This study was conducted in such a way that it could help managers of the second-hand motor dealer to make correct and informed business decisions. The data for this study was

collected from customers in a certain timeframe of a specific second-hand motor dealer in South Africa. By saying this it is important to note that customer satisfaction levels for another second-hand motor dealer, especially in other countries, may not necessarily follow the same pattern.

In general, the questions asked, and the customers targeted were found suitable for measuring the relationship between customer satisfaction and repurchase intention by a second-hand motor dealer. It became clear (from the questions) that there is a big gap between customer satisfaction levels and the customers' perceptions. Most of the questions were developed and modified to specifically suit We Buy Cars as a dealer in the second-hand car market in South Africa.

The results concluded that price, performance, brand heritage, service options and reliability are all critical factors affecting the second-hand motor dealer's customer satisfaction levels, as well as their repurchase intentions. It is also evident from the results that good quality in a motor vehicle is a must for a customer to reach high customer satisfaction levels.

The reliability coefficients for all the data of the different factors except factor C returned a very satisfactory reliability coefficient of more than 0.7. This shows excellent reliability and internal consistency of the data regarding each of the dimensions. Again, as stated above, all research regarding customer satisfaction in the customer base of We Buy Cars can be used by other dealers to measure their customer satisfaction because the criteria have been applied successfully in this specific business environment.

From the mean values for the individuals and dealers it became evident that participants perceived this specific company was very good when it came to marketing; they are satisfied with their overall experience at the warehouse; they are satisfied with the overall service they received and the quality of vehicles they buy, and lastly will also re-visit this second-hand motor dealer because of their good service levels. As a general recommendation, management should take note of the points above and continue striving to improve it even more.

Finally, the results give enough evidence that without decent customer satisfaction levels, repurchase won't occur. There should be a continuous process to keep all customer satisfaction levels high, all the time.

5.3 RECOMMENDATIONS

The following recommendations concerning the customer satisfaction and repurchase intention of the second-hand motor dealer can be highlighted. Firstly, recommendations based on the specific findings are made. These recommendations are:

- The findings show that seven factors are important in buying a car from We Buy Cars. The most important factor is Customer satisfaction (explain 33% variance). This factor explains just more than half of the variance of all the factors (Factors 2 to 7 cumulatively explains 31% of the variance). It is therefore recommended that management focusses specifically on customer satisfaction to retain their competitive edge.
- Also, management's focus on customer satisfaction will yield a much better return on managerial interventions than all the other factors combined. They should therefore focus on this factor first aiming to perfect their service to their customers.
- It is also recommended that management should initiate a customer service measurement strategy whereby service levels are actively measured and managed.
- Management should start such a strategy bearing the methodology and findings of this study in mind. The satisfactory fit indices from the SEM analysis substantiates this recommendation.

Secondly, generalist recommendations are made. They are:

- The results of this study should be made available to the respective departments of the second-hand motor dealer as well as the responsible managers of each department so that they can all be aware of the current customer satisfaction levels.
- The manager of each department should further implement a series of action plans to maintain good performance areas while also trying to improve the areas of poorer customer satisfaction levels.
- The investigation can form the basis of establishing a great customer satisfaction culture at the second-hand motor dealer and can help to accelerate further expansion

of the culture. An overall wide approach in all the relevant dealerships of this relevant company to customer satisfaction are recommended to the establishment of the customer satisfaction culture.

- Customer satisfaction should furthermore be part of the pre-owned motor dealers' strategic goals. Time and effort should be allocated to the follow-up of research results.
- Some internal actions to improve customer satisfaction levels are training the staff and giving them performance incentives.
- Employees, especially salesmen, that come in direct contact with customers should primarily focus on showing sincere interest and willingness to assist customers. They should have the knowledge to do so.
- It is also recommended that this study is conducted again in the future to facilitate direct comparative analysis of the current customer satisfaction levels.

5.4 AREAS FOR FUTURE RESEARCH

Possible other research designs could have been used that would also have yielded handsome information on customer satisfaction in the second-hand motor industry. These possibilities are:

- Alternatively, the study could also have been conducted on one (or more groups selected) of the types of customers by measuring the quality of customer satisfaction, for example, multiple second-hand motor dealerships and not just one, providing similar data as the chosen unit of analysis.
- A study could also have been conducted by gathering data from a random combination of customers of the second-hand motor dealer of South Africa. Such a study will measure overall customer satisfaction of all second-hand dealers to their customers and not just by a specific second-hand dealer. This would help the industry to measure what the levels of customer satisfaction is in a wide variety of dealerships. It is also important that no names must be used to ensure that the level of competition and the advantage one can get stay true and relevant. The shortcoming would be that the generalised approach will not be able to provide accurate managerial information to any second-hand motor dealer.

- Comparative analysis in both the cases above could have been the third avenue of research. Here the level of customer satisfaction delivered to the different groups of customers could be compared to determine if some groups have higher customer satisfaction levels than other, and if so, why. This could render management to deliver a differentiated customer satisfaction strategy to serve the different groups in the best way possible.

5.5 LIMITATIONS

All research studies have some sort of limitation that may have an impact on the research findings. Limitations relating to this study are listed below:

- The researcher elected to conduct research bases on a secondhand motor dealership in four of South Africa's nine provinces. The results obtained cannot be generalised to other geographical regions, since these results are limited to these provinces. The typical South African customer decisions and actions are based on their cultural background, because of the diverse country, generalising the results obtained from this research study to other provinces is very difficult.
- The questionnaires were sent out to approximately 6800 respondents. With a hit rate of about only 7.4%, more questionnaires could have strengthened this study.

5.6 SUMMARY

The study provided an insight on the buying behaviour and service levels of the second-hand car industry. It also focussed on the measurement of the relationships between customer satisfaction and re-purchase intention in the second-hand motor industry. The study consisted of five chapters.

Chapter 1 sets the background, problem statement and research propositions of the study. The second-hand motor industry is a very competitive and price sensitive market to compete in. Here, customer satisfaction levels are very important to guarantee sales and to help with customer repurchasing at the specific dealership. Also, in this competitive environment

dealers must make sure they understand their customers and the needs they have. The service and customer satisfaction levels the customer receive are critical.

As customer satisfaction and the repurchase of the customer can have a significant impact on the financial performance of the second-hand motor dealer, a study was needed to determine the effect customer satisfaction has on repurchase intention. It is further a necessity to evaluate the impact of high customer satisfaction on the customer's repurchase intention. In line with the stated problem, the primary objective and the secondary objectives of the study were formulated.

The primary objective of this study was to determine what influence customer satisfaction has on the repurchase intention of customers in the second-hand motor industry. To achieve the primary objective, the following secondary objectives were formulated and examined:

- To perform a literature review on customer satisfaction and repurchase intentions;
- Developing a measuring instrument based on the theoretical foundation to measure satisfaction and repurchase intention;
- Empirically measure these constructs in the second-hand motor industry;
- To see if marketing plays a role in attracting customers as well as if it has an effect on their overall customer satisfaction levels.

In Chapter 2, a case study of the relevant company was made to get a better understanding of the study being conducted. It was crucial for this section to be added to give the reader a better understanding of what the second-hand motor industry is about and what the history of the company is. Important points that were highlighted in this section were:

- The history and background of this specific company;
- What the process involves when the company wants to buy a customer's car;
- What the steps are when a customer accepted a buying offer from the company;
- The way the company sell cars;
- The company's current business model;
- How the company conducts its car auctions;
- The finance and insurance section.

After this section was carefully discussed a literature review could be conducted in Chapter 3.

In Chapter 3, the literature research was done and intensive research were provided about customer satisfaction and repurchase intentions. The chapter commenced with an industry profile of the second-hand motor industry in Section 3.1. A review of the literature was conducted, and a lot of emphasis was put on customer satisfaction, the intention to rebuy, the relationships between customer satisfaction and the intention to repurchase, the concepts and theories of independent variables and lastly, why customers switch to other dealers. After all these concepts were properly highlighted and explained conclusions could be made and results could be conducted.

Chapter 4 sets out the empirical research results and research methodology. This chapter has outlined and described the research design and methods (used in the collection and analysis of data for the empirical section of this study), together with the empirical research results of this study. The chapter provided discussions, arguments and justifications of the research approach, the study population identified and used, and the instrument used in the collection and analyses of the data. The study concludes that there is value in high customer satisfaction levels and that it will have a huge effect on the repurchase intention of a customer. High customer satisfaction levels should be part of the management's customer strategy.

Using an exploratory factor analysis, seven determinant dimensions were extracted that constitute the customer satisfaction levels on the customer of the second-hand motor dealer. These dimensions are customer satisfaction, marketing channels, intention to repurchase, service options, consumer behaviour, overall experience and media platforms.

The study concluded with Chapter 5 by offering conclusions, recommendations and also by identifying potential areas for continued research.

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APPENDIX A: QUESTIONNAIRE

Dear Participant

My name is Richard John Webber and I am an MBA graduate student at the NWU University in Potchefstroom. For my dissertation I am examining customer repurchase intent in the second-hand motor industry. Because you are a customer/dealer at We Buy Cars, I am inviting you to participate in this research study by completing the attached surveys.

The following questionnaire will require approximately 15 minutes to complete. There is no compensation for responding nor any risks. All information will remain confidential therefore please do not include your name or dealership. Copies of the project will be provided to my study leader at the NWU University and to top management at We Buy Cars. Participation is strictly voluntary, and you may refuse to participate at any time.

Thank you for taking the time to assist me in my educational endeavours. The data collected will provide useful information regarding repurchase intention. If you would like a summarised copy of this study, please complete and attach the Request for Information Form and return it to me in a separate envelope. Completion and return of the questionnaire will indicate your willingness to participate in this study. If you require additional information or have questions, please contact me at the number listed below.

I understand and give consent that my data can be entered into the dataset and used for research purposes.

✓	X
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Sincerely,

Richard John Webber

083 630 0161

richardw@webuycars.co.za

SECTION A: BIOGRAPHIC INFORMATION

BIO1	Age	Years		Months		
BIO2	Gender	Male		Female		
BIO3	Race	Black	White	Coloured	Indian	Other
BIO4	Level of employment	Junior	Middle	Senior	Specialist	Unsure
BIO5	Highest Qualification	Below Matric	Matric	Diploma / Certificate	Degree	Post graduate Degree
BIO6	Years of work experience	Less than 1 year	1 – 5 years	5 – 10 years	10-15 years	More than 15 years
BIO7	Warehouse visited	Midstream	Joburg South	Cape Town	Durban	
BIO8	Dealer or Individual	Dealer		Individual		

SECTION B: CUSTOMER SERVICE INFORMATION

Please record your responses on the 5-point Likert scale. It ranges from “*Strongly disagree*” (1) to “*Strongly agree*” (5).

Customer Satisfaction Scale						
For each Statement, please circle the most applicable answer						
		Strongly Disagree	Disagree	Don't Know	Agree	Strongly Agree
A: Overall experience on the marketing tools of We Buy Cars (Applicable to dealers & Individuals)						
A1	Did the marketing of We Buy Cars grab your attention?	1	2	3	4	5
A2	Did marketing play a role for you visiting We Buy Cars?	1	2	3	4	5
A3	Do you think We Buy Cars is visible enough when it comes to marketing?	1	2	3	4	5
A4	In your opinion is radio the primary key to marketing for We Buy Cars?	1	2	3	4	5
A5	In your opinion is television the primary key to marketing for We Buy Cars?	1	2	3	4	5
A6	In your opinion are billboards the primary key to marketing for We Buy Cars?	1	2	3	4	5
A7	In your opinion is internet the primary key to marketing for We Buy Cars?	1	2	3	4	5
A8	Would you change the way We Buy Cars do marketing?	1	2	3	4	5

B: Overall Experience at the warehouse (Applicable to dealers & Individuals)						
B1	Your first impression was amazing when you walked through the security gate?	1	2	3	4	5
B2	Your first impression was amazing when you entered the warehouse or salesfloor?	1	2	3	4	5
B3	I received first class service from a salesperson on the floor?	1	2	3	4	5
B4	The staff were friendly towards me?	1	2	3	4	5
B5	Did the person servicing you have the necessary skills or knowledge to assist you?	1	2	3	4	5
B6	Did our salesperson make you aware of all our specials and products available?	1	2	3	4	5
B7	Would you change the way We Buy Cars do business?	1	2	3	4	5
B8	Was this your first visit to We Buy Cars?	1	2	3	4	5
B9	Will you visit We Buy Cars again?	1	2	3	4	5
B10	Did you encounter any problems during your visit?	1	2	3	4	5
B11	Were you truly satisfied with the whole experience?	1	2	3	4	5

C: Purchase Intention (Applicable to dealers & Individuals)						
C1	Did you find what you were looking for?	1	2	3	4	5
C2	Did you buy anything that were not on your shopping list?	1	2	3	4	5
C3	Did We Buy Cars satisfy your needs?	1	2	3	4	5
C4	Were you just visiting without an intent to buy a car?	1	2	3	4	5
C5	Did you enter the building to buy a vehicle?	1	2	3	4	5
D: Overall Service & Product Quality (Dealers from D5, Individuals whole section)						
D1	Were you made aware of our financial services?	1	2	3	4	5
D2	Were you made aware of our insurance services?	1	2	3	4	5
D3	How will you rate our finance services (if applicable) ?	1	2	3	4	5
D4	How will you rate our insurance services (if applicable)?	1	2	3	4	5
D5	Did you receive value for money today?	1	2	3	4	5
D6	Was there enough product variety today?	1	2	3	4	5
D7	Was the product quality up to standard?	1	2	3	4	5
D8	Would you prefer price over quality?	1	2	3	4	5
D9	Did the geographic location of We Buy Cars play a role in your visit?	1	2	3	4	5
D10	How likely will you prefer We Buy Cars to other people/businesses?	1	2	3	4	5

E: Repurchase Intention (If this is your second/multiple revisited please complete the following section: (Applicable to dealers & Individuals))						
E1	Did you repurchase because of our service.	1	2	3	4	5
E2	Did you repurchase because of our variety of products.	1	2	3	4	5
E3	Did you repurchase because of our lower prices.	1	2	3	4	5
E4	Did you repurchase because of a specific product we had.	1	2	3	4	5
E5	Did you repurchase because we were the best comparing to other dealerships.	1	2	3	4	5
F: Repurchase Intention (If this was your first purchase at We Buy Cars and you decide to come back in the near future please complete the following section) (Applicable to dealers & Individuals)						
F1	Will you return because of our service.	1	2	3	4	5
F2	Will you return because of our variety of products.	1	2	3	4	5
F3	Will you return because of our affordable prices.	1	2	3	4	5
F4	Will you return because of a specific product we had.	1	2	3	4	5
F5	Will you return because we were the best comparing to other dealerships.	1	2	3	4	5

Thank you for participating in the research

APPENDIX B: LETTER FROM EDITOR



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Thursday, 10 October 2019

To whom it may concern

Re: Confirmation of language edit, typography and technical precision

The MBA dissertation **Measuring the effect of customer satisfaction on customer re-purchase intention in the second-hand motor industry** by **R Webber (22182705)** was edited for language, typography and technical precision after post-examination corrections made by the author. The referencing and sources were checked as per NWU referencing guidelines.

Final, last minute corrections remain the responsibility of the author.



Antoinette Bisschoff

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Officially approved language editor of the NWU since 1998
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