# Marketing Theories: Analysis of the Increasing Electric Car Sales Phenomenon

## Executive Summary

 Success of new or existing products lies in the ability of the influence the behaviors and attitudes of the consumer. This report is an examination of the electric cars and how they affect consumer purchase decisions. The first section explores the theories that explain consumer behavior and how they come into play in the market for electric cars. The report covers the decisions made by consumers under the theories of choice such as the isolation, the segregation, the framing effect and the influence of attitudes and the self. The report then concludes with viable recommendations for driving more sales by influencing customer attitudes and behaviors.

## Introduction

Electric cars have caused a stir in the conventional car and fuel sales. According to the international energy agency, more than 750,000 electric cars were sold in 2016 hitting a new record high in the number of cars registered. Growth in electric car sales has consistently risen at a steady rate above 50 percent with a recent decline in 2016 which saw a 40 percent growth rate. The figure 1 below shows the sales and market shares of electric cars in selected regions.



Part of the attraction towards electric cars has been the new wave of climate change reforms and the potential for long run costs of operating electric cars. Electric cars eliminate the need to use gasoline which is seen as a major cause of global climate change through carbon emissions. Because they do not use gasoline, electric cars cut the cost one needs to run the vehicle. This report explores the phenomenon of the electric car sales in the last decade by applying the marketing theories to explain customer decision making. The framing effect is applied in this report because it transforms the decisions of the consumer. The second theory regards the complexity of customer decision making given alternative choices. The report will also use the theory of self and the functions of attitude in customer decision making. The market for automobiles is huge ranging from sport cars to the conventional cars. However, the major point of contention is the choice between electric and gas powered cars. The report will end with the halo effect of electric cars and the advertising for electric car sales promotion as well as the recommendations for consumer attitudes and behaviors towards electric cars.

## The Framing Effect

According to Caswell (1998), consumers are more likely to purchase products that maximize their value provided their judgment of the quality attributes of products is accurate. Marketers of electric cars market them as products promote environmental sustainability. In one of Tesla Model S advertisements, the car maker invites the consumer to use a car “that may lead other cars in no longer taking from the earth but accepting from the sun, untold memories from gallons of light” (Tesla, 2013). Through what the customers learn from the commercials and publications about the car, their decisions are influenced. Electric car makers invite the consumers to consider the benefits of using the emission free vehicle. This is contrasted with what the people already know about climate change and fuel emissions. A Nissan advert for the Nissan Leaf model of electric car features scenes of melting polar ice caps and a frustrated bear that is angry with every other car except for the owner of the Nissan leaf which is eco-friendly.

In a survey of 1007 adult Americans revealed growing interest in electric vehicles with 36 percent respondents agreeing that they have interests in the car. The more knowledgeable one is the more they are likely to buy an electric car. In the survey, 52 percent of the group that has knowledge of electric cars prefers buying an electric car. Given the information they have 57 percent of the respondents revealed that they would consider buying an electric car in their next car purchase. Young adults between the age of 18 and 34 years have more interest in buying an electric car at with 70 percent of the respondents in this range agreeing they would indeed consider buying one in the next car purchase (Consumer Federation of America, 2016).

## The Effect of Attitudes

Attitudes play a key role in how consumers make their purchase decisions. Attitudes are defined as the acquired tendency to react to objects in a consistent manner either favorably or unfavorably. Additionally, attitudes are general evaluations of issues, products, advertisements or people and are generally lasting. Attitudes have different functions. The utilitarian function of attitude is used to support a decision. The value expressive function of attitude defines what an attitude says about a person. The ego defensive function serves to strengthen the individual’s aspects of self. The knowledge function is a means of attaining meaning, structure or order.

Put in the context of the electric cars, the attitudes play a key. The key differing attitude that people have towards electric cars is that they are cost effective and environmental friendly. This rationalizes their decision to buy the electric car to save costs and the planet. Their attitude towards the electric cars portrays them as responsible and sensitive to global issues or sustainability. The attitudes in turn make them feel better about themselves.

## The Self

According to Aaker (1997), products possess symbolic or self-expressive benefits to the users. In this sense, the products tend to express the personality and identity of the holder. The extended model of the self expands the notion of self to self, family, community and group. Consumers also have multiple selves that they need to feel and express. Electric cars help enhance the image of the bearer of the car. The automakers also exploit this concept in designing the advertisements. For instance, they will use images of ordinary people, ordinary families and ordinary settings that reflect the personalities of most people. For instance, the “gallons of sunlight commercial features a happy family enjoying the peace, tranquility and serenity associated with the electric cars. They are responsible people who wish to express their desire to make the planet better by minimizing use of fossil fuels. In addition they are also successful people that everyone would like to emulate (Kristen, 2015).

There are several levels of self that one focuses on in making the purchase decisions. The levels are individual, family, community and group. The individual self focuses on the individual’s perception of their self or their personality. The electric car in this sense defines the identity of the consumer. The consumers who have purchased or are likely to purchase electric cars have been seen to be people who are highly knowledgeable on electric cars and the environmental stewardship. The marketers have also tried to create marketing campaigns that link the images of the people they target to car. This is achieved by showing the people who own electric cars as success and responsible people who care about the world they live in and their personal image.

## The Theory of Utility

Utility refers to the satisfaction or pleasure that a consumer derives from consumption of a good or service. This is what the customers use to assign value to goods or services. Consumers seek to maximize this utility within the bounds of the income. The customers rank goods according to their levels of utility. From the ranking, consumers choose the product that maximizes their utility and can be purchased with the income they have (Dahlstrom, 2016).

In the car market, the consumers are faced with a wide range of products to choose from. The satisfaction or pleasure that the consumers get from a car depends on their individual preferences. However, they generally consider cost effectiveness, reliability and efficiency. All the other vehicle types can be considered to have good efficiency and reliability making the choice hard. However on the issue of cost effectiveness, the electric car gets an edge over the other vehicle types. This explains the rising growth in electric car sales despite falling gas prices. Marketers of electric cars emphasize that other models will require to be fueled from time to time meaning that the user will continue to incur additional costs over the useful life of the car.

## The Effect of Rationality

Rationality is closely associated with the theory of utility. Rationality refers to the idea that humans are will choose the best option available given the information they have. This assumes a perfect market where all the players have the same information about the products. In the real world, consumers do not always make rational decisions because they lack the information necessary to make the purchase decision. This has been a major reason why electric car sales have not been as high as expected given the potential benefits that accrue from it purchase (Hodgson, 2012)

To drive more sales of electric cars, marketers have devised strong marketing campaigns that seek to bridge the gap of information asymmetry. Their efforts have been complimented by activities of environmental conservationists. The push to have more environmental friendly cars has also been propagated by governments through policies. By marketing electric cars as eco friendly and economic to use, marketers have created awareness that better choices exist in the market.

## The Halo Effect

The “Halo Effect” is cognitive process through which global evaluations of a brand influence a person’s response to other attributes. The halo effect implies that the impression of one attribute influences the impression of a different independent attribute (Nisbett & Wilson, 1977). Halo effect is closely related to brand image. There are different ways through which marketers can create a halo effect. One of the ways of creating the halo effect has been seen to be corporate social responsibility (CSR). Organizations that are actively engaged in CSR activities and show great efforts towards sustainability experience greater brand recognition and the halo effect as a result.

Electric car marketers have had the advantage of being at the center of sustainability initiatives. Electric cars are seen as inventions that have been developed to solve the challenge of climate change by reducing emissions. Such cars are highly regarded by even those consumers who do not own. The people attribute the benefits of the being able to solve the problem of climate change to the electric cars and their manufacturers. This is partly the reason why electric car makers are getting huge brand equity as a result of the halo effect. Car brands such as Tesla are widely known around the world. Consumers pay for their cars before they are even made in the factory showing how much they value them. The halo effect could also be deriving from the prices of the car. Most of the cars are priced above the average prices of cars. This price creates the impression of quality which is associated with the electric car models.

## Recommendations

It is clear that consumer decisions are motivated by a variety of factors. However, the underlying issue is that their decisions can be influenced. Psychological studies have developed several theories that help explain consumer behavior. From the understanding of consumer decision making behavior it is easy develop a strategy to influence. The decision to buy a product is based on the desire by a consumer to fulfill a specific need. In the attempt to fulfill the need the consumer is faced with several alternatives forcing him to make choice. The choice is based on the consumer attitudes towards, the different alternatives. It is also influenced the personality of the consumer and the attributes of the alternatives.

In developing the appropriate promotion plan, electric car makers should have a clear understanding of the consumers. The first move is to promote the benefits of a clean energy community to the masses through promotional campaigns. The electric cars are then marketed as a product that falls within the frameworks of energy sustainability. The next thing is to then create models for different segment. Because consumers fall within different income categories, it would be prudent to have models for all income groups without compromising on the reliability of the cars. Reliability is a key factor especially in terms of battery life and availability of charging points in strategic areas of the cities and rural residences.

## Conclusion

Electric cars did not have huge prospects when they first rolled into the markets. However, the growing interest in the cars shows that there is a shift in consumer preferences. One of the causes of this shift is the changing attitudes towards climate change and energy efficiency. This move has forced automakers to develop more fuel efficient cars. However, regardless of how efficient they are, conventional cars cannot rival the efficiency promised by electric cars. The catch lies in the ability to develop more cars cost effectively to make them affordable to the masses. This coupled with an efficient promotional strategy will make the electric the cars of the present rather than the future.

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