

# How the Traditional Cars Companies Maintain Consumers' Loyalty

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## ABSTRACT

In people's Daily life, cars have become an indispensable part, more and more cars have been invented and manufactured. In this process, new energy vehicles were designed and gradually began to replace traditional cars in the leading position in the industry. Under such circumstances, how should traditional cars ensure customer loyalty to themselves? Many companies make their living by manufacturing conventional vehicles. To safeguard their profits, it is essential to ensure customer loyalty. The paper will use SWOT analysis to study the traditional automobile industry. This paper makes reference to many relevant literatures. Later, the research decided to use Tesla as a sample to study its development in China. Based on that, the results showed that traditional cars should be advertised more about the safety of traditional cars. At the same time the advertisement also mention that the endurance of traditional cars is better. In addition, the paper focused on the innovation of appearance and provide better after-sales service. For traditional cars company, more factories should be opened in China. The results have great reference value for many automobile companies, especially those that mainly produce traditional cars. They are given a lot of solutions to compete with new energy vehicles in the market.

**Keywords:** *Consumer loyalty, Technology innovation, Traditional cars, new energy vehicles.*

## 1. INTRODUCTION

As the competition in the car industry is becoming more and more fierce and the whole market is growing bigger, automobile companies that want to survive have made some improvements. One of the great breakthroughs is the invention of new energy vehicles. New energy vehicles (NEV), which gradually play a pivotal role in the whole automotive market, are actuated by electricity instead of by burning oil. It was firstly produced by Tesla and soon be scaled in many car companies all over the world. The appearance of new energy vehicles fits the global trend that advocates less use of exhaustible resources and uses more clean energy resources. The concern about this paper's planet is a great stimulus boosting some environmentally friendly industries and leading them to prosperity. Consumers are also prone to purchase electric cars since they want to take a part in protecting the environment as well. As a consequence, over the night, the new energy vehicles attract a lot of fans. The whole market is a cash cow, and everyone wants a piece. For example, in China, BYD Auto and other companies are sparing no effort investigating new electric cars. Because of their

environmentally-friendly traits, local government provides both policy and financial help towards new energy cars. Furthermore, the large population basis in China also endorses the electric cars prosper in the Chinese market. Under such situations, it seems like there is an enormous challenge for those traditional automotive companies.

In fact, the trend that this paper is supposed to protect the environment indeed causes the loss of a customer in those traditional car industries. After new energy vehicles enter the Chinese market, the sale of traditional cars decreases dramatically. The traditional companies show panic about such phenomena. However, there are still chances for those traditional car companies, especially in China, where this paper investigates. This is because that compared with those traditional car industries, the new energy vehicles are still a fledgling field and their technologies are not mature enough to support them to dominate the automotive market now. This trait is more palpable in China due to the fact that China is still a developing country. Chinese companies don't have enough high-tech to promote the further development of new electric

cars. This can be a piece of really good news for traditional car companies, which means that those companies are still strongly competitive in the automotive market. So, this paper still needs to do some researches in order to fathom how traditional companies should improve to keep consumers' loyalty.

To be honest, traditional cars are still dominating the market, partly because they have a relatively long history. Still, this paper needs to know what they should do when facing the impact of new energy vehicles. As the importance of new energy vehicles enhances, more researchers pay attention to electric cars. Therefore, a few pieces of research which are about traditional cars have been done. After electric cars appear, more researches focus on the progress of new energy vehicles. Although few studies pay attention to the impact of traditional car fields, most of those researches do not give out a solution for traditional car companies when they face the challenge of electric cars. In another word, the appearance of new energy vehicles changes many factors in the market, and this paper has to examine it in a desperate aspect. Hence, with the intention to help traditional car companies, this paper is going to investigate how the traditional companies maintain consumers' loyalty under the threat of NEV. The result of the research will certainly help those traditional cars retain competitive with NEV, and attract customer's affection.

This research plan wants to provide a conceptual framework based on how the traditional automobile industry can maintain customer loyalty in the environment of NEV. The significance of this question is to help the traditional car industry make better decisions. The article uses the SWOT model for analyzing the traditional car industry based on the technology innovation of NEV and the concepts for maintaining consumer loyalty. Previous studies have reported a relationship between quality and consumer loyalty [1]. Another paper also indicates that consumer brand identification with loyalty [2]. M. König And L. Neumayr showed people's attitudes toward NEV and classic cars [3]. Furthermore, knowing external factors for purchasing different types of vehicles is primarily based on empirical studies that investigate the view of the individuals [4]. Sangeeta Ray and Pradeep Kanta Ray in 2011 illustrated how design affecting the desire to buy [5]. Recent evidence suggested that subsidies affected the car industry [6]. Nonetheless, previous studies are not time-sensitive and multi-faceted enough. With the continuous development of new energy vehicles and technology innovation, the traditional automobile industry faces more challenges. This paper has conducted a comprehensive study linking this with customer loyalty.

## 2. LITERATURE REVIEW

### 2.1. Consumer Loyalty

Consumer loyalty was explained by R.L. Oliver. In his paper, he mentioned that although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty [7]. Furthermore, he concluded that satisfaction is a necessary step in forming loyalty, but it becomes less critical as commitment begins to be created through other mechanisms [7]. These mechanisms, neglected in current models, include the role of individual determinism and social connections at both the institutional and individual levels.

Once formed, loyal customers will be willing to pay higher prices for high-quality products, thus improving the profits of the company. Moreover, this group of customers will be willing to try other products of the enterprise, reducing the risk of the enterprise. Furthermore, they will share their shopping experience with others and promote the company for free, which will lead to better marketing effects. In the long run, it will reduce the company's various expenses and increase the competitiveness of the enterprise in the market.

In the automobile industry, there are many influences on customer loyalty. Some consumers tend to drive a fast car, some are more willing to choose a cost-effective car, or some have different requirements on the raw materials used in the car. Meeting the requirements of different consumers makes them more willing to buy vehicles

Ray and Pradeep discovered in 2011 that when companies cooperate with suppliers for component design and early integration in the design phase substantially reduce costs and help eliminate unnecessary decoration while incorporating features valued by the mass market [5]. It provides critical insights into the processes for a new blueprint for an untapped market segment in the automobile industry.

A few years later in 2013, Zhan and others mentioned that older drivers have gaps with respect to their knowledge of safety features and do not prioritize safety at the time of vehicle purchase [8]. To maximize the awareness and uptake of safety innovations, older consumers would benefit from a vehicle design rating system that highlights safety as well as other features to help ensure the vehicle purchased fits their lifestyle

In 2015, M. König and L. Neumayr published a paper, in the survey most consumer mentioned that they were willing to riding in a self-driving car but is not yet ready to buy one [3].

After 2015, Pedro and others found that in mass-markets, consumers engaged in social media brand

communities may develop positive attitudes towards the brand, such as trust and loyalty [2]. Consumer-brand identification may have a fundamental role in transforming the consumer-brand community interactions into consumer-brand relationships [2].

Two years later, Rokonuzzaman and others reported that product quality and information search work as serial mediators in the association between product involvement and store loyalty in their paper "Journal of Retailing and Consumer Services" [1].

Furthermore, as recently as 2021, Keigo and others wrote a paper that the strength of the emotional factor as a utility of owning a car was more than twice of the convenience factor [6]. Moreover, in the case that the focus was only on the convenience factor, the secondary utility of the car was considered to be more important than the primary utility of the means of transportation [6].

## **2.2. Technology Innovation**

Technological innovation refers to the innovation of production technology, including the development of new technology or the innovation of application of existing technology [9]. Technological innovation and product innovation are closely related, but different. Technological innovation may bring about but not necessarily product innovation, product innovation may need but not necessarily technological innovation. Generally speaking, different products can be produced using the same technology, and different technologies can be used to produce the same product. Product innovation focuses on business and design behavior, and has the characteristics of results, so it has more external performance. Technological innovation has the characteristics of process and is often more inherent. Product innovation may include technological innovation, commercial innovation and design innovation [9]. Technological innovation may not result in product change, but only in cost reduction and efficiency improvement, such as improving production process and optimizing operation process to reduce resource consumption, energy consumption, labor cost or increase operation speed. On the other hand, the birth of new technologies can often bring brand new products. Technological research and development often correspond to products or focus on product innovation. And the new product idea, often needs the new technology to be able to realize.

Technological innovation is needed by all manufacturing industries. Technological innovation may save the cost of products produced by a company or improve the experience and feelings brought by its products to consumers. In order to enhance their competitiveness in the market and maintain their position in the market.

In the automobile industry, technological innovation in the automobile industry is to use better materials to make better cars, or to develop some cars suitable for different consumers. What is most relevant to this article is the automobile industry making cars can run on new energy.

In 2020, Galarrga and others mentioned that he elasticities for more efficient cars are in general higher [10]. However, in the specific case of sedans, the elasticities depend on assumptions about how consumers decide which car to purchase. If consumers are concerned about the absolute energy performance of cars independently of other attributes, and thus pay attention to absolute labelling, demand for more efficient cars is more elastic than demand for less efficient cars. If consumers choose the car segment first and then the energy performance, using the relative label, the opposite result is found. The results suggest that both relative and absolute labelling schemes can be useful, depending on how consumers make their decisions. It might also be possible to design a mixed system.

In 2021, Parker and others indicated that total cost of ownership studies have shown that for the average consumer, EVs cost more than gasoline-fueled vehicles [11]. The research contributes to this literature with a focus on heterogeneity across space and driving habits. Due to variation in electricity rates, insurance rates, and vehicle miles traveled, the median cost varies across neighborhoods by a factor of between 1.2 and 1.35, depending on the vehicle [11]. Median costs of ownership are usually higher for EVs than for comparable gasoline-fueled cars, but considering the full distribution of vehicle miles traveled suggests that buying an EV saves money for over 17% of households [11].

Technological innovation allows the automobile industry to produce new energy vehicles that may be driven by more environmentally friendly power sources, which are very attractive to consumers who value the living environment. Or the new energy adopted by enterprises can be purchased by consumers at a lower price, so that consumers can increase their own interests, which is also what most consumers need.

To conclude, every consumer mentioned in this article is more likely to buy a vehicle which will help consumer to save more money, to be more efficient, and to use less gas. So, to increase consumers' loyalty to traditional cars, or to keep them loyal, companies should start by developing cars that make them more efficient. Compared with traditional cars, energy saving is its biggest advantage, so it will become a great challenge to the traditional automobile industry in the future. In addition, some researchers also mentioned that publicity can effectively improve users' loyalty to the brand. In

addition to the improvement in automobile manufacturing, progress in this aspect is also needed.

### **3. METHOD**

#### **3.1. Research Design**

This paper uses SWOT to evaluate the traditional car industry in China and based on the environment of NEV. The SWOT analysis model is an enterprise strategic planning tool proposed by K. Andrews in the 1970s. Using SWOT can comprehensively indicate the car industry is oriented. The success of the NEW is not only determined by the demand from consumers but also due to the policy made by the States. Therefore, the traditional car industry faces both external and internal factors nowadays. SWOT combines all potential sides of the industry, which is helpful for decision-making. The SWOT method has been used to study the automobile industry before. In an article in 2020, hydrogen economy and new energy vehicles were reviewed with the SWOT analysis method [12]. Anna Kowalska-Pyzalskay's article in 2020 also used SWOT analysis to analyze the Polish ELECTRIC vehicle market in all aspects [13]. Thus, the uniformity of the SWOT Analysis is suitable for evaluating in this paper.

#### **3.2. Data Collection**

In the late 1990s, China's traditional automobile industry entered a period of rapid development. Conventional cars can be divided into sedans, SUVs, MPV, and cross passenger cars. In terms of the development duration, the traditional automobile industry occurred earlier than NEV. The appearance of NEV is more likely an extension of conventional automobiles, which meets the needs of environmentally friendly that conventional cars cannot be satisfied [14]. In 2009, China's annual standard automobile output already ranked at the top of the world. However, China's car industry with limited knowledge of NEV at that period. The traditional automobile industry in China is very mature and can face almost all types of consumer groups. Nonetheless, the new force of NEV manufacturing represented by Tesla drives the development of NEV and people's views on it.

### **3.3. Data analysis**

#### **3.3.1. Strength**

Although the traditional automobile industry does not carry out technological innovation. However, long-term development has laid the foundation for customer loyalty. The standard automobile industry is very competitive, so the guarantee of quality is strict. At the same time, the output is similarly substantial. These increase customer satisfaction and brand recognition.

Although there is no innovation in hardware, classic cars have constantly improved in many aspects to meet customer needs better. For example, more in-car space, intelligent homes, and Gesture control. At the same time, the traditional car industry is using other ideas to minimize customer loss. Recently, many 4S stores in China have begun to recycle new cars sold at the original price. What's more, another advantage of traditional vehicles is their strong endurance. The ubiquitous gas stations in China are practical for conventional cars.

#### **3.3.2. Weakness**

The drawback of traditional cars is evident because there is no technological innovation. So many functions lag behind new energy vehicles. For example, the comfort of conventional vehicles is not as good as that of new energy vehicles. Due to the operational characteristics of the motor of the new energy vehicle, the posture of the new energy vehicle is more stable, and the comfortable driving experience will make the customer group of the traditional automobile industry lose. At the same time, the noise of conventional cars is much higher than that of new energy cars, so the number of people buying them will also decrease.

#### **3.3.3. Opportunity**

The opportunity for the traditional car industry could be to innovate in part. Overall, innovation is challenging, and partial creation can gain a victory in fulfilling customer needs while ensuring cost. Conventional cars can modify the prevailing situation to open up additional markets and attract more consumers, which is a good trend that begins to accomplish. For example, some conventional automobile industries in China have introduced driverless driving. Similarly, they can continue to broaden their benefits while entering new markets. This scheme can be market-oriented to the maximum extent. Customer loyalty also increases as companies create changes.

#### **3.3.4. Threatens**

In the Chinese market, where the paper focused on research, although the advancement of new energy vehicles is later than other countries, the government has many policies to subsidize the purchase of new energy. In a formula released by the Ministry of Industrialization Information, PRC, subsidies for NEV exceed 32.9 billion yuan. That would be a significant factor in losing customers to the traditional car market [15]. Meanwhile, in the absence of technological innovation, pollution from conventional cars remains a potentially big problem. Not keeping up with the pace and development of the whole market will be a significant risk in the future. Batteries are only one of

the problems. Because the entire industry of new energy is innovating, including many details inside the car.

#### **4. RESULTS**

The advantage of traditional cars lies in their quality and production assurance, as well as substantial endurance. The accumulated customer loyalty in the long-term improvement process will not significantly decline in a short time. At the same time, traditional cars can carry out partial innovation while expanding the market to satisfy customers' needs adequately. The shortcoming of conventional vehicles is noisy and less comfortable than NEV. Moreover, the risk of the traditional car industry is the lack of timely innovation leading to lagging behind the pace of the market as well as the lack of environmental protection.

#### **5. DISCUSSION**

Based on the eloquent reasons given above, it is palpable that traditional cars have opportunities to maintain consumers' loyalty. In order to achieve this goal, traditional automobile companies ought to pay more attention to the merit, which electric cars do not have, of the traditional automobiles. To be more specific, it is improving the cars' security, this papering the price, and providing a more suitable driving experience that helps traditional cars to keep the loyalty of their customers.

To an overall condition, the long existence of traditional cars makes the preference rooted deeply in consumers' opinions. Compared with new energy vehicles, traditional cars are more stable and secure. In the future, security must be the pivot of traditional automobiles. Those companies are supposed to invest more researches which help them to find new materials or structure to improve the security. Based on the security, those traditional automobile companies ought to make more advertisements which are about the security of traditional cars. By doing this, it will deepen the customers' belief that traditional cars are much more secure than electric cars, and they will be prone to choose the former. The advertisements of those traditional car companies can also contain some message of their abilities to run in a relatively long distance without replenishing energy resources, which electric cars cannot do. Of course, besides advertisement, traditional automobile industries are supposed to do some actual behaviors, say lowering their cars' price in order to enhance the competitiveness on the market. Most Chinese consumers will be attracted more due to the fact that they prefer those cheaper goods. Consumers are able to buy oil-generated cars at the same level as those electric ones but at lower prices. For those electronic cars, it is no doubt that they do have some security flaws. To those flaws, new

vehicle companies hold a negative attitude. They choose to have no response to those consumers who have trouble with their cars and even make some hype. In the nearly past affair, the attitude of the Tesla's manager of whole Chinese company towards consumers indeed disappointed many people. These behaviors will lower the affection of customers towards new energy vehicles. At this crucial moment, traditional car industries should improve their service more, especially the post-sales service. They can have some specific preferential policies. For example, every car which is broken in one or two years can be repaired freely. Hence, consumers will grow loyalty to traditional cars.

On top of preferential conditions, traditional cars are also facing some challenges. Electric cars, say, Tesla, have advanced technology, which means broader prospects. Tesla also has a mature process of service which helps consumers to adopt electric cars quickly, even the service doesn't perform very well. These are all those traditional cars lack. Traditional cars cannot compete with those new cars in the field of energy innovation. Nevertheless, they can do some innovations in other spheres. Traditional cars can improve the appearance of the cars with the intention to let the shape more streamline. What is more, traditional car companies can also pay more attention to improving the driving experience. For instance, they can add more accurate and intelligent navigation and both comfortable and well-looked seats. That matter all play a significant role in attracting consumers. After all, the driving experience is what people are most concerned about. For Chinese customer, they have a great passion for driving experience instead of appearance, which those traditional cars should cater to. Luckily, those native brands in China have relatively weak technology supports, and it can be good news to traditional companies. Moreover, the policies are unfriendly to the traditional car industries as well. Traditional cars release too much carbon dioxide and sulfur dioxide, which will not be advocated by the government. Recently in Shanghai, Tesla has built a super factory, and this factory will help to dominate the Chinese market without any doubt. In such tough conditions, what traditional cars need to do is to hold their factories in China tightly, and even open more factories. This is because that local factory means lower price and predominance of market. Admittedly, it is hard for most traditional cars to do so, but they have to do, even spending more money. In this way, it will guarantee the position of traditional cars in the Chinese market.

This research paper tackles some problems in preceding studies. Those studies merely were too old, which means that their result of how to rouse consumers' desire was not suitable when the electric cars came out and became popular. Nevertheless, this paper focuses on the recent market, which is updated enough to offer instructions to traditional automobile companies. But

what needs to be admitted is that this paper also has flaws. This is because that it does not predict what the future market will be like. In this way, it may just like previous papers, only useful temporarily.

## 6. CONCLUSION

The study in the passage is conducted when the new energy vehicles enter the market and bring enormous threat to the traditional car industries. Under such situations, the article is going to delve deeply to find out how traditional car industries can maintain consumers' loyalty and desire to buy traditional cars. This passage mainly takes advantage of several previous studies. Then, by using SWOT, this paper respectively analyzes the strength, weaknesses, opportunities, and threats of traditional automobile companies. In this way, it finally unveils what factors of traditional cars that customers have great affection for. The result shows that traditional cars have to further promote their strength and avoid competing with those new energy vehicles in those areas that traditional automobiles are not good at. To be more specific, traditional automobile companies definitely have to lower their price, improve their security, and provide good service. On top of those factors, traditional cars can also make some innovations to provide a better driving experience.

This paper is quite meaningful, since under the threat of new energy vehicles, the result in the article shows several alternatives for traditional automobile companies to maintain their position in the market by retaining consumers' loyalty. For one, it shows traditional car companies some solutions to further improve themselves in such a predicament. Those companies are able to recover from the impact of new energy vehicles and make more profit. What's more, it will also provide a resource for the further study of the vehicle industries. However, the paper does have some limitations. In the passage, it just analyzes based on contemporary conditions, but both traditional cars and new energy vehicles will develop rapidly in the near future. Therefore, this paper just gives out some solutions for the contemporary situations but it may not be suitable for future development. Therefore, it is required to have further studies, in which some prediction of the future development of automobiles will be made, and then the suggestions for keeping customers' desire will be given in the future.

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