Analysis of Automobile Consumers' Purchase Intention under the Background of Price War

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Abstract: This article mainly studies the willingness of car consumers to buy cars and the factors that affect their willingness to buy cars in the context of price wars. Through market research, the impact mechanism of price wars on consumers' car purchasing decisions was analyzed, and the moderating effects of individual consumer characteristics, product attributes, brand image, and market environment were explored. Research has found that although the car price war can stimulate car consumption in the short term, it may have a negative impact on the long-term value of car brands.

Keywords: Price War; Marketing Strategy; Consumption Will

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Introduction

In recent years, with the increasingly fierce competition in the automotive market, price wars have become an important means for major car companies to compete for market share. Especially against the backdrop of increasing economic downturn pressure and limited consumer purchasing power, the phenomenon of price wars is becoming increasingly prevalent in the automotive industry. However, the impact mechanism of price wars on consumer purchasing intentions has not been fully studied. The aim of this study is to explore the purchasing decision-making process of automotive consumers in the context of price wars, analyze the key factors that affect their purchasing intentions, and provide theoretical support and practical guidance for automotive companies to develop effective marketing strategies.

1 Connotation of Price War

Price war is a strategic behavior of enterprises in market competition to gain competitive advantage by continuously reducing product or service prices. Its essence is a self-regulation mechanism when the market supply and demand relationship is imbalanced. When the overcapacity rate in an industry reaches a critical point, price wars often become an inevitable choice for companies to compete for limited market share. This competitive model has three basic characteristics: firstly, strategic, manifested as companies consciously using price leverage to achieve specific market goals; The second is systematic, usually involving price adjustments for the company's main products or the entire product line; Finally, there is sustainability. Unlike short-term promotional activities, price wars often have a longer duration.

Price war is an extreme manifestation of cost leadership strategy. When product homogenization is severe and consumer price sensitivity is high, price often becomes the most direct means of competition. However, excessive reliance on price wars may lead to the 'prisoner's dilemma', where all participating companies fall into a vicious cycle of declining profits. During the price war, the gross profit margin of enterprises generally decreases by 3-5 percentage points, and this profit pressure often spreads to the entire industry chain.

The price war in the automotive industry involves both traditional fuel vehicle companies and emerging electric vehicle manufacturers, with both direct price reductions and various disguised preferential measures. From the perspective of duration, price wars in the automotive industry often have cyclical characteristics, closely related to economic cycles and industry policies. As a high-value and durable consumer product, the impact of the price war on automobiles is even more profound, involving not only vehicle manufacturers but also the entire industry chain including component suppliers and dealers. From the perspective of market impact, price wars have a dual effect on the development of the automotive industry. In the short term, price wars can stimulate consumer demand and accelerate market clearing; However, in the long run,

excessive price competition may suppress innovation investment, damage brand value, and ultimately affect the sustainable development of the industry. Therefore, finding a balance between price competition and value creation has become an important strategic issue for automotive companies. Currently, some leading companies have begun to explore the transformation from pure price competition to comprehensive "price value" competition, which may represent a new direction for the future development of the industry.

2 Background of the Car Price Wars

In recent years, the automotive market has undergone unprecedented changes. The rise of new energy vehicles, the widespread application of intelligent technology, and consumers' higher demands for vehicle performance, quality, and service have all posed enormous challenges to automobile manufacturers. In order to address these challenges, car manufacturers have adopted strategies such as price reductions and promotions to seize market share.

2.1 Contradiction between Production Capacity and Consumption

With more and more traditional car manufacturers and emerging new forces entering the new energy vehicle market, the excessive release of production capacity in the automotive market has led to relatively insufficient demand, which has become the main contradiction in the current Chinese automotive market, and competition has become particularly fierce. Overcapacity has led to an increasingly fierce price war, and price is one of the important factors in consumer purchasing decisions. Faced with fierce competition from various brands in the automotive market, consumers often become more sensitive to price and selectively purchase cost-effective automotive products with relatively low prices but good quality. In order to compete for market share, price war has become an important means for enterprises.

2.2 Serious homogenization of products

The rapid development of Chinese new energy brands has also led to serious homogenization of their products. Many new energy vehicle products are similar in performance, appearance design, and even service, lacking obvious differentiation advantages. For example, pure electric vehicles now carry large batteries with a capacity of about 100 degrees Celsius as a routine operation in pursuit of long endurance. The so-called intelligent cockpit is nothing more than a combination of hardware and software such as a large sofa, a large refrigerator, an LCD instrument panel, a large-sized central control screen, a passenger screen, a rear LCD screen, HUD, and an intelligent voice interaction system. Apart from differences in appearance design, car companies have not widened the gap in product strength. In this context, in order for brands to stand out and achieve breakthroughs in sales scale, they can only engage in price wars.

2.3 Upstream supply chain cost reduction

With the maturity of upstream raw material supply and manufacturing processes, the production cost of automobiles has been reduced to a certain extent. According to the 2023 battery price survey report released by Bloomberg, the global price of lithium-ion battery packs fell by 14% in 2023 (battery costs account for 40% -50% of the total vehicle cost (disclosed by GAC)). CATL has launched a 173Ah VDA specification lithium iron phosphate battery with a standard 2.2C charging rate and a price not exceeding 0.4 yuan/Wh, which has an absolute advantage over the average price of 0.6 yuan/Wh for such batteries in August 2022 (if the price of battery cells drops by 0.1 yuan per watt hour, the cost of a 60 degree battery will decrease by 6000 yuan). In this context, automobile manufacturers are able to transfer cost advantages to consumers, providing cost conditions for price reductions.

3 Factors Influencing Consumer Purchase Intention

3.1 Dimension analysis of economic factors

Economic factors are the fundamental constraints that affect consumers' willingness to purchase cars. Firstly, the personal economic status of consumers directly determines their purchasing power, including disposable income level, savings status, and credit availability. There is a significant positive correlation between annual household income and car purchase intention. The higher the annual income, the stronger the car purchase intention. When the annual income exceeds

200000 yuan, the car purchase intention will increase sharply. Secondly, product prices and their changing trends have a direct impact on car purchase intentions, but price sensitivity varies significantly in different segmented markets: economy car buyers are more sensitive to car prices, while luxury car buyers are relatively less sensitive to car prices. In addition, the expected cost of using a car is also an important consideration for car buyers, including fuel/charging costs, insurance costs, maintenance costs, etc. It is worth noting that the cost advantage of new energy vehicles has increased their willingness to purchase by 37% compared to traditional fuel vehicles, and this effect is particularly evident in the ride hailing market.

3.2 Dimension analysis of product factors

Product factors are the core dimensions that consumers consider when making purchasing decisions. In terms of basic performance, the reliability and fuel economy of the power system, as well as the safety performance of the vehicle, constitute the basic threshold conditions for purchasing decisions. According to the survey, product quality issues can reduce consumers' willingness to purchase by 40%, with power system failures having the most significant impact. In terms of technological innovation, intelligent configuration is becoming a key factor affecting purchasing decisions. Models equipped with autonomous driving assistance systems can increase purchase intention by 28%, and this effect is more prominent among young consumer groups. In addition, design aesthetics plays an important role in product differentiation, especially with a significant impact on female consumers. Design factors account for as much as 32% of their decision-making weight, significantly higher than male consumers' 22%. There is an interaction between different dimensions of product factors. Excellent basic performance can enhance consumers' acceptance of innovative technologies, while excellent design can enhance the overall perceived value of the product.

3.3 Dimension analysis of psychological factors

Psychological factors play an important role in the process of purchasing a car. Brand awareness is one of the most stable influencing factors, and strong brands can generate a premium space of 18-25%. The brand premium effect of foreign luxury brands is particularly prominent in the Chinese market. The herd mentality is evident in automobile consumption. When the monthly sales of a certain model exceed about 10000 units, it will trigger a positive feedback loop and produce a "snowball" effect. Risk perception has a significant impact on the acceptance of emerging technology products. Surveys show that the range anxiety of new energy vehicles makes 15% of potential consumers adopt a wait-and-see attitude, and a well-developed charging infrastructure can significantly alleviate this concern.

3.4 Dimension analysis of environmental factors

Environmental factors regulate consumers' decision-making situations. The policy orientation has a direct impact on the willingness to purchase a car, and the purchase tax reduction policy can increase current sales. Infrastructure construction is an important prerequisite for promoting new energy vehicles. The denser the construction of charging piles, the stronger the willingness to purchase new energy vehicles. The influence of acquaintance recommendations in purchasing decisions is relatively high, far exceeding the influence of traditional advertising.

The various dimensional factors do not act independently, but form a complex interactive network. Economic factors constitute the fundamental constraints, product characteristics provide differentiated selection criteria, psychological factors influence brand preferences, and environmental factors regulate decision-making contexts. This multidimensional interactive influence mechanism requires automotive companies to adopt more systematic marketing strategies, while maintaining price competitiveness, enhancing product added value through technological innovation and brand building, and fully utilizing the influence of policy environment and social networks to achieve comprehensive improvement of market competitiveness.

4 The impact of price wars on automotive companies

In 2024, the profit margin of China's automotive industry was only 4.3%, and in the first quarter of 2025, it further declined to 3.9%, lower than the average level of 5.6% for downstream industrial enterprises during the same period; In 2024, 227 car models across the country will have their prices reduced, with an average price reduction of 18000 yuan for

new energy vehicles, a decrease of over 9%; In May 2025, after a new round of "price wars" among leading car companies, Hong Kong stocks and A-share automotive stocks all fell. In June 2025, the China Association of Automobile Manufacturers proposed that the "internal competition" mainly manifested in the form of disorderly "price wars" is an important reason for the decline in industry efficiency. Call on the entire industry to jointly maintain a fair competition order and promote healthy and sustainable development of the industry.

Under the price war, car companies' profits are squeezed, and in order to control costs, they can only reduce research and development investment, making it difficult to guarantee product quality and innovation. More seriously, some car companies sell at prices below cost, disrupting the normal market order, squeezing the living space of small and medium-sized enterprises, and damaging the industry ecology. The disorderly price war disrupts market rules, causing enterprises to fall into a "price quagmire" and lose interest in innovation and quality improvement. Over time, industrial upgrading is hindered and economic development lacks momentum.

The root cause of the price war in the automotive industry lies in fierce market competition, insufficient innovation ability of some automobile manufacturing enterprises, and serious homogenization of automobile dealers, which can only rely on prices to compete in the market. To completely solve the problem, upstream and downstream enterprises in the automotive industry chain need to enhance their core competitiveness, increase research and development investment, and win the market through technology, quality, and service. The government should also strengthen supervision, improve relevant laws and regulations, and crack down severely on unfair price competition behavior of upstream and downstream enterprises in the supply chain.

In automobile manufacturers, simply competing to lower prices is like a mud pit battle, with losses regardless of the outcome. Specifically manifested in three aspects, one of which is the continuously decreasing profits. Intelligent electric vehicle companies are also facing the dilemma of widespread losses in the industry. Secondly, employees within the company are under immense pressure and work overtime severely. Reducing costs and getting out of the car quickly have become the top tasks for every department and employee. Time waits for no one, and extending overtime hours has become an unwritten rule. From "996" to "007", and then to "Saturday rest is certain or not, Sunday rest is not certain", the internal banners that come from closed doors have become the experience of executives' external presentations, leaving employees exhausted. Thirdly, car companies are greedy for immediate benefits and their actions are distorted to amplify risks. The advertising promotion in the industry has become increasingly outrageous, blurring assisted driving as autonomous driving. At the press conference, the gimmick was that the driver fell asleep while the vehicle safely arrived; Car design has become self entertaining, with a variety of door handles that leave rescue personnel unsure of how to effectively open the door in the first place. As a result, safety accidents and public opinion have been caused, and the image of car brands has been significantly damaged.

5 Summary

Price war is the most direct and effective way for strong car companies to suppress their competitors, and its core mission is to reconstruct the mechanism of profit distribution, rather than destroying the industry. Faced with a fierce price war, car companies and dealers should not be scared out of their wits or solidify their thinking by the brutal phenomenon of bloodshed. They should actively consider the reasons behind the price war and their corresponding measures.

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