

A STUDY ON CONSUMER BUYING BEHAVIOUR AND SATISFACTION TOWARDS INDIAN AUTOMOBILE INDUSTRY

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Abstract

The Automobile industry in India is expanding at large extent. With the increasing ratio per capita income of the people results in tending towards purchasing the Luxury things like cars, Diamonds, etc. Now the time has come to serve the customers at any level and point as per his/her desire. The companies are finding many ways to satisfy their customers and one of the methods to find the customer satisfaction quotient is “Customer Satisfaction Survey”. Customer satisfaction is a measure of post purchase behaviour of the customers. If customer expectations meet with the perceived value of goods and service then customer is satisfied but if the perceived value of goods and service is less than the customer expectations than customer is dissatisfied and if the perceived value exceeded the expected value of the goods and service than the customer is delighted. In addition, customers generally want the best possible product or service for a low cost. The perception of the best product or service at lowest price with safety effect the industry and customer segment significantly. Indian market before independence was seen as a market for imported vehicles while assembling of cars manufactured by General Motors and other brands was the order of the day. Indian automobile industry mainly focused on servicing, dealership, financing and maintenance of vehicles. After a decade, from independence manufacturing of automobiles has started. India’s Transportation requirements were met by Indian Railways playing an important role till the 1950’s. Since independence the Indian automobile industry faced several challenges and road blocks like manufacturing capability was restricted by the rule of license and could not be increased but still it lead to growth and success it has achieved today.

Keywords: *Luxury Things, Customer Satisfaction Survey, Indian Market, Road Blocks and Challenges and Best Services.*

Introduction

The Indian Automobile industry includes two-wheelers, trucks, cars, buses and three-wheelers which play a crucial role in growth of the Indian economy. India has emerged as Asia’s fourth largest exporter of automobiles, behind Japan, South Korea and Thailand. The country is expected to top the world in car volumes with approximately 611 million vehicles on the nation’s roads by 2050. The Economic progress of this industry is indicated by the amount of goods and services produced which give the capacity for transportation and boost the sale of vehicles. There is a huge increase in automobile

production with a catalyst effect by indirectly increasing the demand for a number of raw materials like steel, rubber, plastics, glass, paint, electronics and services.

To meet the concomitant testing and certification activities relating to higher safety and emission norms, testing infrastructure in the country is being overhauled. A substantive state funding is being planned in upgrading the testing infrastructure with participation of industry. Environmental pollution and the need to conserve existing supply of fossil fuels have led to search for alternative fuels. In addition to supporting Greenfield research in this area, an ambitious phased programme to upgrade carbon fuel quality commensurate with higher emission norms is also being undertaken. Foreign direct investment norms have already been considerably relaxed. Unhindered import of automobiles, including new and second hand vehicles, has also been permitted. Most non-tariff barriers have also been relaxed or removed. The Government has moderated and lowered taxes and duties on automobiles, including customs duty. Value Added Tax (VAT) is also proposed to be introduced across the country from 1 April 2001. The Government has also allowed private sector participation in the insurance sector. Norms guiding external commercial borrowings (ECBs) have been liberalized and lending rates within the country have also been reduced further strengthening the environment of investment. An ambitious programme to upgrade the quadrilateral of highways in the country, the Government is laying an eight lane expressway linking all metropolitan and several important capital towns across the country paving the way for movement of heavier haulage vehicles.

Objectives of the Study

The present study based on following objectives:

1. To know about the Automobile Industry in India.
2. To know about the Purchase Decision Process.
3. To study the purchase decision model of Indian consumers.
4. To identify the consumer buying behaviour towards Automobile products and their satisfaction.

Operational Definitions

The Auto Industry is “one of the largest manufacturing sectors in the global economy. It consists of many different businesses, from those that design, develop, and build cars to those that make parts for vehicles and those companies that sell the vehicles. The industry as a whole can also include those firms that repair cars and refuel them, depending on how broad a definition is used”.

Automobile is “a type of vehicle designed to move on the ground under its own stored power and intended to carry a driver, a small number of additional passengers, and a very limited amount of other load”.

A customer is “a person, company, or other entity which buys goods and services produced by another person, company, or other entity”.

A customer is “one that buys goods or services, as from a store or business”.

Reviews of Related Literatures

“The survey of potential purchasers drawn from nine cities which then accounted for 60% -70% of the country's car owning population revealed that 90% of car use was within a city, the individual car owner travels 800 km a month on an average and that the average number of passengers in a car was four because cars were largely used for office-going purposes. Also, only 20%-30% of the respondents indicated a desire to purchase a car in the next two years at the existing prices, but for a new price range of between Rs.40,000 to Rs.55,000 the proportion of likely buyers went up to 43%-45%. Finally, the survey revealed that the two most important factors considered while purchasing a car were fuel efficiency and initial capital cost. Of the total sample, 37% preferred a small car and only 18% preferred a medium-sized car. “This strengthened our belief that the earlier decision to go in for a medium-sized family car was wrong. So we decided to manufacture a small car,” says Bhargava. (Shirali, 1984: p.4). However, D’Costa (2002) argues that MUL’s success is not particularly attributable to the support from bureaucrats. Rather, any firm that is as good as MUL in terms of scale economies, first-comer advantage, affordability, product novelty, consumer choice, financing schemes and extensive servicing networks would have performed as well, even in the absence of bureaucratic support. D’Costa has other criticisms about Pingle (2000). The major shortcoming of Pingle’s study is that it ignores the issues related to sector specific technologies and regional differences across the country.

Piplai (2001) examines the effects of liberalisation on the Indian vehicle industry, in terms of production, marketing, export, technology tie-up, product upgradation and profitability. Till the 1940s, the Indian auto industry was non-existent, since automobiles were imported from General Motors and Ford. In early 1940s, Hindustan Motors and Premier Auto started, by importing know-how from General Motors and Fiat respectively. Since the 1950s, a few other companies entered the market for two-wheelers and commercial vehicles. However, most of them either imported or indigenously produced auto-components, till the mid-1950s, when India had launched import substitution programme, thereby resulting in a distinctly separate auto-component sector.

Automobile Industry in India

The automobile sector is a key player in the global and Indian economy. The global motor vehicle industry (four-wheelers) contributes 5 per cent directly to the total manufacturing employment, 12.9 per cent to the total manufacturing production value and 8.3 per cent to the total industrial investment. It also contributes US\$560 billion to the

public revenue of different countries, in terms of taxes on fuel, circulation, sales and registration. The annual turnover of the global auto industry is around US\$5.09 trillion, which is equivalent to the sixth largest economy in the world. In addition, the auto industry is linked with several other sectors in the economy and hence its indirect contribution is much higher than this. All over the world it has been treated as a leading economic sector because of its extensive economic linkages. India's manufacture of 7.9 million vehicles, including 1.3 million passenger cars, amounted to 2.4 per cent and 7 per cent, respectively, of global production in number. The auto-components manufacturing sector is another key player in the Indian automotive industry. Exports from India in this sector rose from US\$1.0 billion in 2003-04 to US\$1.8 billion in 2005-06, contributing 1 per cent to the world trade in auto components in current USD.

In India, the automobile industry provides direct employment to about 5 lakh persons. It contributes 4.7 per cent to India's GDP and 19 per cent to India's indirect tax revenue. Till early 1980s, there were very few players in the Indian auto sector, which was suffering from low volumes of production, obsolete and substandard technologies. With delicensing in the 1980s and opening up of this sector to FDI in 1993, the sector has grown rapidly due to the entry of global players. A rapidly growing middle class, rising per capita incomes and relatively easier availability of finance have been driving the vehicle demand in India, which in turn, has prompted the government to invest at unprecedented levels in roads infrastructure, including projects such as Golden Quadrilateral and North-East-South-West Corridor with feeder roads. The Reserve Bank of India's (RBI) Annual Policy Statement documents an annual growth of 37.9 per cent in credit flow to vehicles industry in 2006. Given that passenger car penetration rate is just about 8.5 vehicles per thousand, which is among the lowest in the world there is a huge potential demand for automobiles in the country.

There are two distinct sets of players in the Indian auto industry: Automobile component manufacturers and the vehicle manufacturers, which are also referred to as Original Equipment Manufacturers (OEMs). While the former set is engaged in manufacturing parts, components, bodies and chassis involved in automobile manufacturing, the latter is engaged in assembling of all these components into an automobile. The Indian automotive component manufacturing sector consists of 500 firms in the organised sector and around 31,000 enterprises in the unorganised sector. In the domestic market, the firms in this sector supply components to vehicle manufacturers, other component suppliers, state transport undertakings, defense establishments, railways and even replacement market. A variety of components are exported to OEMs abroad and after-markets worldwide. The automobile manufacturing sector, which involves assembling the automobile components, comprises two-wheelers, three-wheelers, four-wheelers,

passenger cars, light commercial vehicles (LCVs), heavy trucks and buses/coaches. In India, mopeds, scooters and motorcycles constitute the two-wheeler industry, in the increasing order of market share. In 2005-06, the Indian auto sector had produced over 7.6 million two wheelers and 1.3 million passenger cars and utility vehicles.

India is a global major in the two-wheeler industry producing motorcycles, scooters and mopeds principally of engine capacities below 200 cc. It is the second largest producer of two-wheelers and 13th largest producer of passenger cars in the world. Tata figures among the ten largest global manufacturers of LCVs, heavy trucks, buses and coaches, while it is among the top 25 in passenger car manufacturing. The two-wheeler industry in India has grown at a compounded annual growth rate of more than 10 per cent (in number) during the last five years and has also witnessed a shift in the demand mix, with sales of motorcycles showing an increasing trend. Indian two wheelers comply with some of the most stringent emission and fuel efficiency standards worldwide. The passenger car segment has been growing at a rapid pace from over 6,50,000 vehicles sold during 2001 to over a million vehicles sold during 2004-05, showing an annual growth rate of 17.36 per cent.

Purchase Decision Process

In order to assess the importance of the environmental awareness in the car purchase decision, it is necessary to get an insight into the process of purchasing itself. The consumer's decision to purchase a product is a multi staged process. Kotler (2006) identifies that the consumer will go through five stages. Vehicle purchase behavior fairly complex, as car purchase implies a high level of social and / or psychological involvement. Therefore, the consumer will transit each stage of purchase decision making process as presented in Figure 1

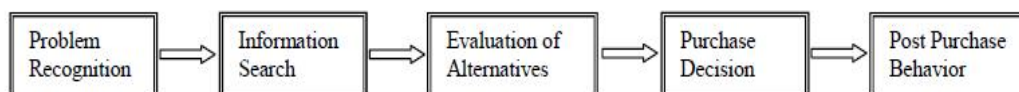


Figure 1: The Purchase Decision Making Process (Source - Kotler)

Problem Recognition

In this information processing model, the consumer buying process begins when the buyer recognizes a problem or need. When we found out a difference between the actual state and a desired state, a problem is recognized. When we find a problem, we usually try to solve the problem. We, in other words, recognize the need to solve the problem.

Information Search

When a consumer discovers a problem, he/she is likely to search for more information. Through gathering information, the consumer learns more about some brands that compete in the market and their features and characteristics.

Evaluation and Selection of Alternatives

How does the consumer process competitive brand information and evaluate the value of the brands? Unfortunately there is no single, simple evaluation process applied by all consumers or by one consumer in all buying situations. One dominant view, however, is to see the evaluation process as being cognitively driven and rational. Under this view, a consumer is trying to solve the problem and ultimately satisfying his/her need. In other words, he/she will look for problem-solving benefits from the product. The consumer, then, looks for products with a certain set of attributes that deliver the benefits. Thus, the consumer sees each product as a bundle of attributes with different levels of ability of delivering the problem solving benefits to satisfy his/her need. The distinctions among the need, benefits, and attributes are very important. One useful way to organize the relationships among the three is a hierarchical one.

Decision Implementation

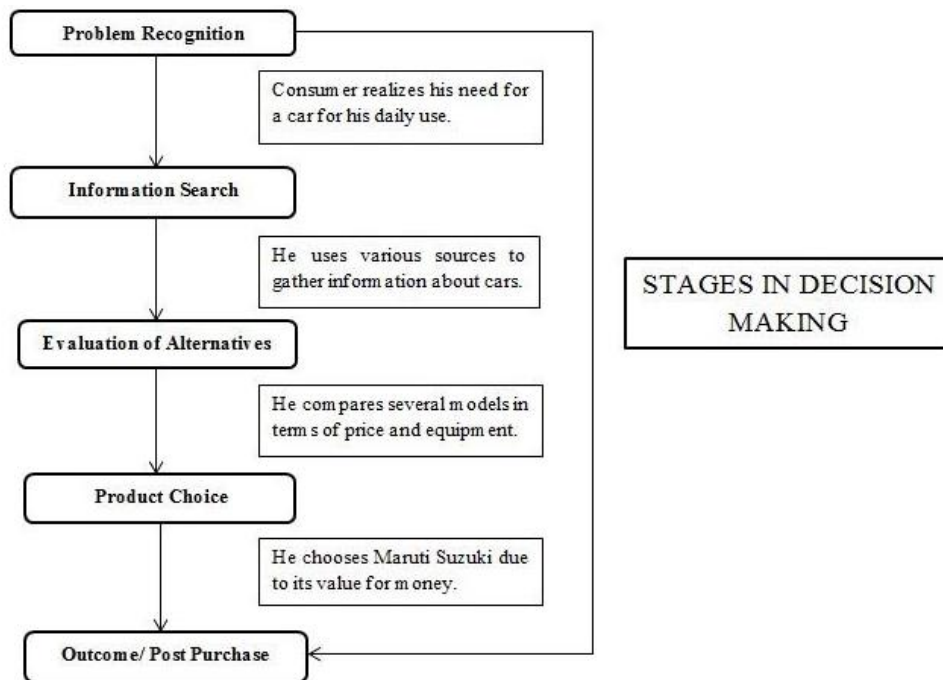
To actually implement the purchase decision, however, a consumer needs to select both specific items (brands) and specific outlets (where to buy) to resolve the problems. There are, in fact, three ways these decisions can be made: 1) simultaneously; 2) item first, outlet second; or 3) outlet first, item second. In many situations, consumers engage in a simultaneous selection process of stores and brands. Once the brand and outlet have been decided, the consumer moves on to the transaction ("buying").

Post-purchase Evaluation

Post-purchase evaluation processes are directly influenced by the type of preceding decision-making process. Directly relevant here is the level of purchase involvement of the consumer. Purchase involvement is often referred to as "the level of concern for or interest in the purchase" situation, and it determines how extensively the consumer searches information in making a purchase decision. Although purchase involvement is viewed as a continuum (from low to high), it is useful to consider two extreme cases here. Suppose one buys a certain brand of product as a matter of habit (habitual purchase). For him/her, buying a is a very low purchase involvement situation, and he/she is not likely to search and evaluate product information extensively. In such a case, the consumer would simply purchase, consume and/or dispose of the product with very limited post-purchase evaluation and generally maintain a high level of repeat purchase motivation. Information,

the consumer learns more about some brands that compete in the market and their features and characteristics.

Purchase Decisions Model of the Indian Consumers



Need Recognition and Awareness

This is the first step in a purchase decision. Without this step purchase cannot take place. In this step the consumer recognizes his/her needs. In our case it will be a household with an average income varying from 20,000 to 1, 00,000 INR per month will be recognize the need for a 4 wheeled transport. It can be for various reasons ranging from commuting to work, phasing out a 2 wheeler, upgrading from a wheeler, inclusion of a new member in the family, etc.

Information Search

Once the consumer has recognized his need, he/she starts to collect information from various sources about the desired product. This involves short listing various available alternatives based on his/ her likes and dislikes and pre-existing attitude towards brands. Time spent on this stage usually varies depending upon the nature of the product. If the product is a low involvement product like milk or soap, the time given to this stage is

almost negligible. However when considering something like a car which is of high involvement for the Indian middle class and it will be a long term commitment, a considerable amount of time is spent in this stage. This might include research done over various mediums like internets, journals, etc. consulting opinion leaders, following the mass trend, etc.

Evaluation of Alternatives

In the third stage, once the middle class family has shortlisted car on the basis of segment (hatchback, sedan or SUV), fuel (diesel/petrol/CNG) etc. they then begin to evaluate and score the various alternatives they have on various basis. Factors like brand power, segment leader, impact of opinion leader, ease of finance options, etc plays a major role in framing of a consumers attitude.

Purchase

The 4th step is the step where trade of money and transfer of ownership takes place. This is the stage where after careful consideration the consumer finally purchases the desired product. Usually it is a simple matter of availability of funds and the desired product that decides the purchase date. For an Indian Middle Class family however there are various other factors to be considered. For example for a Hindu family it is extremely auspicious to purchase new products on a festival called "Dhanteras". As a matter of fact various families planning to purchase car in September postpone it till October for Dhanteras or Diwali. (Banerji, 2013) These times see heavy surge in automobile sales. In the very same way it is considered unauspicious to purchase any object made of metal on Saturday as it could offend Lord Sani. (Ravi, 2010) The same trend is followed by Islamic families in India. The month of Ramadan is considered holy and families following Islam prefer to make a big purchase decision like car during this time. This phenomenon skyrockets on the final day of Ramadan, at Eid-ul-fitr. Dealers come up with various special offers to woo customers during these time periods. Another time when middle class delays their purchase is during second half of December.(Thakkar, 2014) The major reason behind this is to usually that by waiting for less than thirty days, the car purchased in January has a later year of purchase against a previous December purchase and this pays dividend while selling off the car.

Post Purchase Evaluation

The fifth stage takes place during the ownership of the product. This one of the most important stage for companies as it gives them a chance for customer retention. In this stage the consumer analyses if the product purchased has met his expectations. This is

a very crucial stage as this will decide whether the consumer will repurchase from the same brand or will migrate over to its substitutes.

Consumer behavior consists of all human behavior that goes in making before and post purchase decisions. One can succeed in the competitive market only after understanding the complex consumer behavior. An understanding of the consumer enables a marketer to take marketing decisions which are compatible with its consumer needs. From study there are various major classes of consumer behavior determinants and expectations, namely socioeconomic, psychological, political, geographical, demographic and Product and Technology. Further classification of human behaviors under main categories will enable car manufacturer to align their strategies in concurrence to customer behavior.

Satisfaction understood as emotional state shall be held by people, who are willing to develop successfully personal relations, but has also been of utmost importance in business and professional situations. The latter will be of our interest in the further course of this work. In general, satisfied customers, satisfied employees and satisfied shareholders all have one common characteristic they are positive and enthusiastic about the company they are dealing with. Talking in more detail, they shall behave in a way desired and understood by a firm, when it comes to making decision about further cooperation with the company. Specifically, they will be making repeat purchases, delivering best quality of work and investing additional funds in the company stocks. Such behavior of satisfied customers, employees and shareholders will contribute to business growth. Therefore satisfaction, understood in such a wide context, shall definitely be on the top of board of directors' list as it has strong positive impact on business results. Although satisfaction is applicable to organization's customers, employees and shareholders, within the course of this work customer satisfaction will be discussed. Specifically, customer as the ultimate judge of products or service quality and his or her satisfaction with the delivered products or services will be taken into account.

Customer satisfaction is crucial for business performance, as it is the driver of customer loyalty and consecutive retention. This statement, although intuitively true, could be argued with. On one side, it could be said, that there is no need to dedicate time and funds to make the customer's satisfied, but it is less expensive and sufficient to deliver high quality offerings, which will certainly be purchased by some clients. Furthermore, one could argue that even though customers are not loyal and will not stay with the company, new clients can be easily found. On the other side it can be argued, that even though customers will buy the product, they will not repurchase unless the offering meets customers' needs. Moreover, it may turn out, that despite product's quality is high it does not fill client's expectations, as it misses some of required benefits. Finally, one could say

that it is much more expensive to acquire new customers than retain current ones, as the costs associated with the customer recruitment are higher than those connected with customer retention.

Conclusion

The substantial changes in lifestyle patterns of the consumers have caused tremendous changes in market place which is a result of globalization and integration of world economies. The measure of behavior of consumer of current generation has become difficult to gauge as time tested marketing concepts have failed. The preference is characterized by distinctiveness of an individual's expectations, for multiple options, heavy tendency of abandoning Brand loyalty and switching towards competitor brands which provide higher value to the consumer. The new generation consumers are difficult to classify by conventional demographic factors and unless their thought process and buying behavior preferences are fully understood, decisions on product designs, product variants, branding and distribution channels are likely to be misled. With change being unavoidable, Indian companies must learn to recognize the reason and direction of this change most likely to affect India in the coming future, and identify new competencies that will enable producers to respond to these fast changes. Consumer preference can definitely not be exactly predicted but it can be done to an extent with the consumer research activity. Globalization has heralded along with it competition in the passenger car segment and the businesses will have to concentrate on analyzing the consumer preference to satisfy the consumers in the long run. The income changes and increasing petrol prices is driving demand of small cars in India. Small car sector offers huge potential as penetration and consumption of small cars is very less in India compared to its Population. For promoting the product consumption and creating awareness Manufactures have used advertising campaigns to promote higher consumption by influencing consumer preference of passenger cars. Thus, consumer preference plays an indispensable role in predicting market demand and consequent production by the manufacturers.

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