

## A STUDY ON ROLE OF AUTOMOBILE INDUSTRY IN INDIA AND ITS CUSTOMERS SATISFACTION

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### **Abstract**

*Customer satisfaction according to ISO 9000, users opinion about the degree to which its meets its requirements. Customer satisfaction is a highly personal assessment. The increase in the demand for cars, and other vehicles, powered by the increase in the income is the primary growth driver of the automobile industry in India. The introduction of tailor made finance schemes, easy repayment schemes has also helped the growth of the automobile sector. The automotive industry is a major industrial and economic force worldwide. It makes 60 million cars and trucks a year, and they are responsible for almost half the world's consumption of oil. The industry employs 4 million people directly, and many more indirectly. Despite the fact that many large companies have problems with overcapacity and low profitability, the automotive industry remains very strong influence and importance. The industry also provides well-paying jobs with good benefits, has heavy linkages with supplier industries (which gives it an oversized role in economic development), and has a strong political influence. Satisfaction is crucial concern for both customers and the organizations. Satisfaction is a subjective concept and therefore difficult to determine. It depends on many factors and varies from person to person and product to product. The importance of customer satisfaction in strategy development for customers and market oriented cannot be under determined. Now a day it has become very important factor for each and every organization to enhance the level of customer satisfaction. It was found that the customer are mostly satisfied with price, design, safety, mileage, interior space, status brand name, comfort level, spares part and after sale service. Customer satisfaction, a term is used in marketing it is a measure how product and service supplied by the company meet or surpass customer expectation.*

**Keywords:** *Increased Demand, Strategy Development, 360° Satisfaction, Tailor made Finance Scheme and Automotive Industry.*

### **Introduction**

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). As of FY 2014-15, around 31 per cent of small cars sold globally are manufactured in India. The Two Wheelers segment with 81 per cent market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. The

overall Passenger Vehicle (PV) segment has 13 per cent market share. India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile Products of India (API) was founded in 1949 at Bombay (now Mumbai), by the British company Rootes Group, and later bought over by M. A. Chidambaram of the MAC Group from Madras (now Chennai). The company manufactured Lambretta scooters, API Three Wheelers under license from Innocenti of Italy and Automobile ancillaries, notably Clutch and Braking systems. API's registered offices were earlier in Mumbai, later shifted to Chennai, in Tamil Nadu. The manufacturing facilities were located in Mumbai and Aurangabad in Maharashtra and in Ambattur, Chennai. The company has not been operational since 2002. In April-January 2016, exports of Commercial Vehicles registered a growth of 18.36 per cent over April-January 2015. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the Two Wheeler (2W) and Four Wheeler (4W) market in the world by 2020. The automobiles sector is compartmentalized in four different sectors which are as follows:

- Two-wheelers which comprise of mopeds, scooters, motorcycles and electric two-wheelers
- Passenger Vehicles which include passenger cars, utility vehicles and multi-purpose vehicles
- Commercial Vehicles that are light and medium-heavy vehicles
- Three Wheelers that are passenger carriers and goods carriers

#### **Objectives of the Study**

The present study based on following objectives:

1. To know about the Indian Automobile Industry.
2. To study the role of Indian Automobile Industry in the country's growth.
3. To know the initiatives of the Government towards and the achievement by the Indian Automobile Industries.
4. To know the dimensions of customer satisfaction towards Indian Automobile Industries.

#### **Operational Definitions**

Automobile is “a self-propelled passenger vehicle that usually has four wheels and an internal-combustion engine, used for land transport. It also called as motorcar”.

It also defined as “a motor vehicle with four wheels; usually propelled by an internal combustion engine”.

A customer “is the recipient of a Good or a service, or a product, or an idea, obtained from a seller, vendor, or supplier via a financial transaction or exchange for money or some other valuable consideration”.

A customer “is an individual or business that purchases the goods or services produced by a business. Attracting customers is the primary goal of most public-facing businesses, because it is the customer who creates demand for goods and services”.

### **Review of the Literature**

Saraswathi S (2010) A study on “Customer Satisfaction on Post-Sales Service with Reference to Four-Wheeler Automobile Industry” which reveals that the key to success of automobile industry lies not only in having good products but also in being able to provide the customer with the level of service they desire. Because of increasing competitiveness in the Indian automobile industry, almost all automobile manufacturers have invested valuable resources on customer satisfaction as a tool to understand the needs and expectations of their customers. Increased presence of four-wheeler vehicles throughout the country has created a growing need for providing service infrastructures closer to the customer’s homes or offices.

Work done by Parasuraman et. al. between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer’s expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction “gap” which is objective and quantitative in nature. Work done by Cronin and Taylor propose the “confirmation/disconfirmation” theory of combining the “gap” described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

### **Automobile Industry of India**

The automobile industry, along with the auto components industry, is one of the core industries in India. A well developed transportation system plays a key role in the development of an economy, and India is no exception to it. Automobile is one of the largest industries in the global market. Owing to its strong forward and backward linkages with several key segments of the economy. Automobile Sector occupies a prominent place in the fabric of Indian Economy. Automobile sector is leader in product and process technologies in the manufacturing sector. It has been recognized as one of the drivers of economic growth and the domestic automobile industry is believed to be the barometer of the economy. Such a belief is in line with international trends since in most mature economies the automobile industry’s performance is viewed as a reflection of the economy’s health. This sector has emerged as sunrise sector in the Indian economy.

According to data published by Department of Industrial Policy and Promotion (DIPP), ministry of Commerce, the amount of cumulative foreign direct investment (FDI) inflow into the auto sector from April 2000 to November 2012 was worth US\$7,518 million. The auto sector accounts for 4 per cent of the total FDI Inflows (in terms of US \$) in India. According to the recent data released by Society of Indian Automobiles Manufacturers (SIAM) India's scooter and motorcycle manufacturers have registered 4 per cent growth during April-November, 2012. The Global and Indian manufacturers are focusing their efforts to develop innovative products, technologies and supply chains. India is one of the key markets for Global Manufacturers for hybrid and electronic vehicles, which is the new development in automobile sector. With a turnover of almost \$59 Million US Dollars.

Automobile industry provides employment to 13 million people in the India work-class. The automobiles sector is divided into four segments two-wheelers, passenger vehicles, commercial vehicles and three wheelers. Two wheelers India is one of the world's fastest growing passenger car markets it is second largest two wheeler manufacturer and fifth largest commercial vehicle manufacturer. It is also home for the largest motor cycle manufacturer. Moreover, India is fourth largest passenger car market in Asia. The auto sector in India has achieved a growth rate of 26% in last two years (2010-12). However, it has shown a sluggish growth of 12 percent in 2012. The trend is likely to stay with a 10 percent growth outlined for 2013. The main reasons are high ownership costs (fuel costs, cost of registration, excise duty, road tax) and slow rural income growth. Over the next few Years solid but cautious growth is expected. The Macquarie equities research reveals that the sale of passenger vehicles is expected to double in the next four years and growth anticipated is higher than the 16% achieved in the past 10 years. The automotive Mission Plan 2016 launched by the Government of India seeks to grow the industry to a size of \$145 billion by 2016 and make it contribute 10 per cent to the nation' GDP.

The growth for automotive industry is important for growth in economy, particularly because the automotive industry has strong multiplier effect. It is capable of being the driver if economic growth. High direct to indirect employment ratio of about 1:10 is estimated for the automobile industry, because automobile industry has potential to generate employment for about 10 more for every person employed directly in automobile manufacturing industry. These indirect employments includes employments in ancillary and component industries, automobile service stations mechanics, loaders and cleaners of commercial vehicles, institutions financing purchase of vehicles and people who drive commercial vehicles and hired vehicles. There is a symbiotic relationship between the growth of economy and the demand for vehicles.

Table 1: The Global Majors in Automobile Industry in India

Global Majors		
Company	Foreign Partners	Year of Establishments
Maruti	Suzuki	1983
Hyundai	Hyundai (Korea)	1998
Tata	Daimler Chrysler	1998
Hindustan Motors	Mitsubishi	1942
Fiat	Fiat	1996
Honda Sael	Honda	1997
Ford	Ford	1996
GM	GM	1996
Mercedes Benz	Daimler Chrysler	1995
Skoda	Volkswagen	2002
Toyota	Kirloskar	1997
Daewoo	Daewoo (Korea)	1995

Now more and more foreign manufacturers are coming to India and existing companies are coming up with new models. India's automotive industry is now \$34 billion worth and expected to grow \$145 in another 10 years.

Table 2: SWOT Analysis of the Indian Automotive Industry

Strengths	Weakness
<ul style="list-style-type: none"> <li>• Investments by foreign car manufacturers</li> <li>• Increase in the export levels</li> <li>• Low cost and cheap labour</li> <li>• Rise in the working and middle class income</li> <li>• Increasing demand for European quality</li> <li>• Expert skills in producing small cars good for environment</li> <li>• Large pool of engineers</li> </ul>	<ul style="list-style-type: none"> <li>• Low quality compared to other automotive countries</li> <li>• Low labour productivity</li> <li>• High interest rate and overhead level</li> <li>• Production costs are generally higher than some other Asian states, such as China</li> <li>• Low investment in R&amp;D area</li> <li>• Local demand is still towards low cost vehicles, due to low income levels</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Growing population in the country</li> <li>• Focus from the government in improving the road infrastructure</li> <li>• Rising living standards</li> <li>• Increase in income level</li> <li>• Better car technology is demanded</li> <li>• Rising rural demand</li> <li>• The car is a status symbol</li> <li>• Women drivers have increased</li> </ul>	<ul style="list-style-type: none"> <li>• Less skilled labour</li> <li>• Lack of technologies for Indian companies</li> <li>• Increase in the import tariff and technology Cost</li> <li>• Imports of two wheelers from the Chinese market in India</li> <li>• Smaller players that do not fulfill international standards</li> <li>• Increased congestion in the urban area</li> </ul>

### **Role of Indian Automobile Industry in the Country Growth**

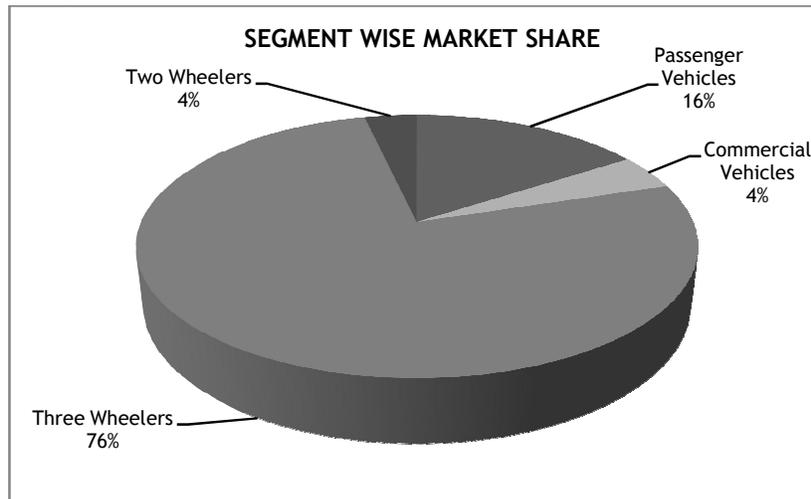
The Role of Automobile Industry in India GDP has been phenomenon. The Automobile Industry is one of the fastest growing sectors in India. The increase in the demand for cars, and other vehicles, powered by the increase in the income is the primary growth driver of the automobile industry in India. The introduction of tailor made finance schemes, easy repayment schemes has also helped the growth of the automobile sector. 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. Only after a decade, from independence manufacturing 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. 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.

### **Role of Automobile Industry in India GDP-Facts**

- India has become one of the international players in the automobile market
- In the year 2006-07, the Indian Automobile Industry produced 2.06 million four wheelers and 9 million two and three wheelers
- The four wheelers include passenger cars, multi-utility vehicles, sports utility vehicles, light, medium and heavy commercial vehicles, etc
- The three wheelers include mopeds, motor-cycles, scooters, and three wheelers
- India ranks 2nd in the global two-wheeler market
- India is the 4th biggest commercial vehicle market in the world
- India ranks 11th in the international passenger car market
- India ranks 5th pertaining to the number of bus and truck sold in the world
- It is expected that the Automobile Industry in India would be the 7th largest automobile market within the year 2016

### Role of Automobile Industry in India GDP-Sales Trends

- In the year 2006-07 the number of Passenger Car sold were 10,76,408
- In the year 2006-07 the number of Passenger Vehicles sold were 13,79,698
- In the year 2006-07 the number of Commercial Vehicles sold were 4,67,882
- In the year 2006-07 the number of Three Wheelers sold were 4,03,909
- In the year 2006-07 the number of Two Wheelers sold were 78,57,548
- In the year 2006-07 the number of automobile sold were 1,01,09,037



### Role of Automobile Industry in India GDP-Growth

- The growth rate of the Passenger Cars in the year 2007 is 13.50%
- The growth rate of the Utility Vehicles in the year 2007 is 10.10%
- The growth rate of the Multi Purpose Vehicles in the year 2007 is 24.40%
- The growth rate of the Light Commercial Vehicles in the year 2007 is 16.05%
- The growth rate of the Commercial Vehicles in the year 2007 is 3.43%
- The Maruti Udyog Ltd is the largest car manufacturer in the country and the rate of growth in the year 2007 was 20.7%
- The Mahindra & Mahindra Ltd's cumulative sales for the year 2007 was 1,06,094 units and the rate of growth was 35.8%
- The Honda Siel Cars India Ltd, the leaders in India pertaining to the manufacturing of premium cars, registered a growth of 16.1 % during the year 2007 and sold 41,638 units

- The Daimler Chrysler sales for the year 2007 was 1,681 units in India and the growth rate was more than 22%
- The General Motors India, registered a 114% increase in the national sales in the August of 2007
- The Hero Honda sold more than 2 million units in the Jan-Aug period of the year 2007
- The export pertaining to the motorbikes was 3,21,321 units in the year 2007
- It is estimated that in the year 2007-08 the motorcycle sales would be 7 million, the car sales would be 1.55 million, and the two-wheelers sales would be 8.3 million

#### **Role of Automobile Industry in India GDP-Foreign Investments**

- The Indian Automobile industry is at present engaged in mergers and acquisitions on the international scale
- The Indian automobile industry's foreign sector worth US\$ 515 million
- The Mahindra and Mahindra company will be establishing a utility assembly plant in collaboration with Bramont, a local company at Manuas, in North Brazil
- In Egypt, the Mahindra and Mahindra company has set up assembly plants in collaboration with the Bavarian Motors
- The Tata Motors have entered the passenger car market in Saudi Arabia with the launch of
- Tata Indigo, Tata Indica, and Tata Indigo Marina
- The TVS Motor Company has established a two-wheeler manufacturing unit at Karawang, in Indonesia
- The Maruti Udyog Ltd has captured nearly 60% of the small car market in Indonesia
- The Nissan Motor facility in South Africa was acquired by the Tata Motors to manufacture Tata vehicle for European and South African market
- The Jaguar and Land Rover companies owned by the Ford Motor Company was acquired by the Tata Motors Ltd for estimated price of US\$ 1.5 billion

#### **Initiatives taken by Government of India towards Automobile Industries**

1. The government of India has identified the automotive industry as a focus industry for Foreign Direct Investment (FDI) given its importance from an employment generation perspective. To accelerate and sustain growth in the automotive sector, the "Automotive Mission Plan (AMP): 2006-2016" has been prepared in order to make India a global automotive hub. The Plan, aims at doubling the contribution of automotive sector to GDP by taking the turnover to USD 145 billion (with special

- emphasis on export of small cars, MUVs, two and three wheelers and auto components) and providing employment to 25 million people by 2016.
2. Foreign Direct Investment (FDI) up to 100% is allowed under automatic route in the automotive sector.
  3. Government to introduce new fuel mileage standards and labeling for new cars beginning 2015, giving manufacturer's time to introduce and invest in new technology.

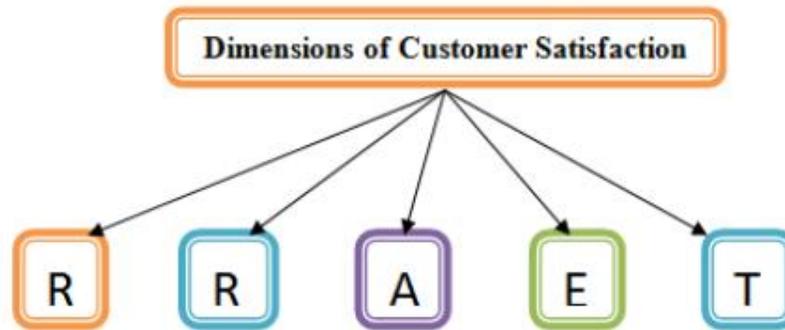
#### **Achievements by the Automobile Industries in India**

The development story of the Indian automobile industry cannot be complete without mentioning the Pioneer Mr. J.R.D Tata's role in setting up the Tata group with high standard Engineering Research Centre (ERC) in 1965 to facilitate technological advancement. Pioneering the indigenization of scientific knowledge for trucks in collaboration with Mercedes Benze and launched Maruti 800 in the year 1983 which changed the dynamics of the passenger car sector in India. It was also known as the people's car. 60% of the Indian commercial vehicle market is dominated by Tata Motors.

1. The first automobile was launched in India in the year 1897 in Bombay.
2. Today India is being recognized as a potential emerging auto market.
3. The industry adds up foreign players to their investments.
4. 80% of the segment size is contributed by two-wheelers & motorcycles.
5. Indian passenger vehicle market is dominated by cars (79%) unlike the USA.
6. India is the largest three-wheeler & two-wheeler market in the world. It is second largest tractor manufacturer in the world, fifth largest commercial vehicle manufacturer in the world.
7. India crossed the 1 million mark as the fourth largest car market in Asia recently.
8. The industry is expected to grow to US\$ 40 billion by 2015 from the current level of US\$ 7 billion in 2008. By the year 2016 the industry is expected to contribute 10% of the nation's GDP.
9. Very recently history has been created in the world of Automobile Industry by Ratan Tata, Chairman (Tata Motors) by launching the world's cheapest car NANO. The price of the car was around one lakh which gained instant recognition in the automobile industry across the globe. It heralded the coming to age of the Indian Automobile Industry.
10. India is the second Largest Producer of Motorcycles in the world (5.2 Mln) after China which has a production volume of 12 Mln.

### Dimensions of Customer Satisfaction towards Indian Automobile Industries

Regarding the customer satisfaction five dimensions are discussed below figure:



**Reliability:** The ability to perform service dependability, accurately and consistently. The customer expects the service to be accomplished on time, in the same manner and without error i.e., doing things right, every time, over a period of time.

**Responsiveness:** The willingness to help and provide prompt service to the customers, flexibility in dealing with situation and the ability to deal with service failure with professionalism.

**Assurance:** Technical competence, confidence, courtesy and people's ability to evoke trust. It is a combination of politeness, respect for the customers, effective communication and a positive attitude that reflect the customer's best interest at heart.

**Empathy:** Caring, individualized attention to customers, Approachability, sense of security and the effort to understand customers needs constitute empathy.

**Tangibles:** The appearance of physical facilities, product and personnel.

Business around the world recognizes that the consumer is the king. Knowing why and how people consume products helps marketers to understand how to improve existing products, what types of products are needed in the market place or how to attract consumers to buy their products. Consumer behaviour focuses on how individuals make decisions to spend their available resources on consumption related items. That includes what, why, when, where, how often they buy it how they evaluate it after the purchase and the impact of such evaluation on future purchase.

The passenger vehicle market, which constitutes around 80% of automobile sales, has immense growth potential. Anticipating the future market potential, the production of passenger vehicle is forecasted to grow at a CAGR of around 11% from 2009-10 to 2012-13. This shows that Customers of automobile industries are satisfied because of affordable price, but the maintenance problem and resale value is too low. These are the two main

reasons of customers' dissatisfaction and other reason is not responding to customers' complaints quickly especially said by Nano customers, which means all the comments, are not fulfilled properly. Creating Customer Delight is not a recent discovery for the company rather the expression finds roots in the company vision. Taking forward the same spirit the company is committed to serve many more customers through a numerous way in times to come. It is evident that over all customers are satisfied with the passenger cars and the company is delivering what it promises to delivers but at the same time Government is taking a number of initiatives to strengthen both product reliability and durability and marketing processes. Enhancing distribution reach and a robust sales process system have been key elements in consolidating the company's leadership position in the domestic market. The implementation of this strategy has begun in a few markets abroad.

### **Conclusion**

Automobile industry plays a vital role in the fabric of Indian economy. This sector of industry has made a rapid & steady growth in India, particularly after 90s due to de-licensing, favorable Government policy and whole hearted support of the Government, opening up of the automobile industries for 100% FDI, increase in purchasing power capacity of middle class and easy and cheap auto-finance facility. It has concluded from the present study that, the customer satisfaction is most important part of any industry. So it is the main responsibility of service industries to improve customer satisfaction and quality of service which is beneficial to enhance the number of new customers. When the service industries provide the best in class service than there is no need to expand money on promotions and advertisement because a satisfied customer directly promote the brand of particular product and this is directly the word to mouth communication or promotion and it will be the most effective for particular service industry. The study will bring to light the relevance of maintaining quality as a means of offering satisfaction to automobile users/owners during the active period of use of the vehicle. The automobile service industries will be better equipped to take decisions on the right investments to improve on quality of service and eventually on customer satisfaction. The result of this research work will benefit the society since this will serve as an information base which adds up to the existing body of knowledge and data on customer behavior in the automobile services sector.

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