

Buying Preferences of Consumers for Small Passenger Cars: Maruti Suzuki Ltd. & Hyundai Motor India

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ABSTRACT

The automobile industry is one of the core industries in India economy, whose prospect is reflective of the economic resilience of the economy. With the liberalization of the economy, India has become the playground of major global automobile majors. The automobile industry in India is gradually evolving to replicate those of developed countries. The qualitative analysis of the various trends reveals, that the industry offers immense scope even for allied industries and those looking at investing in the auto industry. The paper studies consumer buying preferences and the factors that have influence on it. For the study two brands of the car market have been taken viz, Maruti & Hyundai. A total of 200 employees were approached, out of which only 115 responded and reliability was also checked for the questionnaire. One-way ANOVA had been applied to test the hypothesis. The study concluded that users prefer Maruti for its services and Hyundai for its features.

Keywords:

Maruti, Hyundai, consumer buying preferences, Small Passenger Cars

1.INTRODUCTION

The Indian auto industry is one of the largest in the world. It accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). Now Companies are adopting separate marketing strategies for rural and urban market due the difference in buying behaviour. Overall Passenger Vehicle (PV) segment has 13 per cent market share. Several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in two wheelers and four-wheeler market in the world by 2020. According Department of Industrial Policy and Promotion (DIPP), several auto makers have started investing heavily in various segments of the industry during the last few months.

The industry has attracted Foreign Direct Investment (FDI) worth US\$ 15.79 billion during the period April 2000 to September 2016.

The Government of India encourages foreign investment in this industry and allows 100 per cent FDI under this. According to Auto Mission Plan (AMP) 2016-26, Government of India aims to make automobiles manufacturing the main driver of 'Make in India' campaign, as it expects passenger vehicles market to triple to 9.4 million units by 2026. The Government plans to promote eco-friendly cars in India.

2.PROFILE OF SELECTED CAR MANUFACTURERS

In the Passenger Cars industry, there exists a stiff competition among the market players including the domestic as well as global players. It is highly dominated by producers in the organized sector. The performance of this industry is directly linked to the availability of disposable income with individuals. Hence, it caters more to the urban population of India. Maruti Suzuki Limited works with a marketing strategy of providing value for money products to the widest segments of customers. Today, it is the leading passenger car manufacturer in India and SMC's largest subsidiary in terms of volume of production and sales. The Company holds 46.8% market share in the Indian passenger vehicles market. 1,429,248 vehicles, growing faster than industry increasing our market share for the fourth consecutive year to 46.8%. Our profit went up 23% and we could take several steps for the long term.

Hyundai Motor India Limited, a wholly owned subsidiary set up operations in India in 1996. The company entered India with significant investments and a long-term business plan, evident from the fact that it set up its largest production base outside Korea in India. The company also brought rigorous quality standards and technology innovation Santro, the much-

touched small car from Hyundai, was formally launched in September 1998 with its three variants.

Automobile sales in November 2016 declined for the first time in the year 2016 due to demonetization in India. In December, car market leader Maruti's deliveries in the local market slipped 4% to 106,414 units as sales of its entry-level models, including the Wagon R and Alto, dropped 15.3% to 31,527 units from the year 2015. Sales of compact car models, including the Swift, Baleno, Dzire and Ritz, fell 8.6% to 43,295 units.

Sales of the sedan, Dzire Tour, declined 29.2% to 2,559 units. Sales of the mid-size sedan Ciaz, however, rose 30.6% to 3,711 units. Maruti's overall passenger car sales (excluding utility vehicles such as the Ertiga and Brezza) dropped 10.9%. Sales volumes were also dented because of fewer production days. Maruti shuts its plants every year for annual maintenance from 26 December to 1 January. Sales at Hyundai, India's second largest carmaker by volumes dropped 4.3% to 40,057 units from 41,861 units from the year 2016. Hyundai ended the year 2016 with sales of 500,537 units, up 5.2% over the previous year 2015.

3.REVIEW OF LITERATURE

Joshi and Mishra (2011) observed the behaviour of the customer in Maharashtra. The objective of study was to understand the customer awareness on environment friendly car (EFC) and create awareness of the EFC so that the efforts of the manufacturing the green car can be achieved.

Thiripurasundari (2011) analyzed the significance of various factors which include brand knowledge, brand preference, brand loyalty, brand application etc. in car market in Pondicherry.

Aman Saxena (2014) evaluates an Engel-Coleman-Blackwell model through which consumer preferences can be determined which is a four-stage process of Input, Information, Decision process and variable Influencing. In the next segment, methods of estimating consumer preference had been discussed including survey and its limitation as well as Revealed Consumer preference which gauges the preferences in retrospect after the choice has been made. Using the latter, the paper analyses the consumer preference in Electric car segment, technological innovation, high priced small car segment, diesel-petrol preference and body style. The paper concludes by stressing on the enumeration of consumer preference for successful decisions on product designs, branding and distribution and focus on predicting it to an extent with the consumer research activity which is indispensable to satisfy the consumers in the long run.

Modi and Julka (2012) stated that Indian Automobile Industry is under continuous reforms so, an attempt has been made to examine the 5 features of a car namely uniqueness, luxury, looks, technical superiority and car accessories which attract

customers the most while purchasing a car. It was analyzed that features of car effect car purchasing decision.

Prof. R.C.S. Rajpurohit and Dr. M.L. Vasita (2011) on their study "Consumer Preferences and Satisfaction towards Various Mobile Phone Service Providers an Exploratory Study in Jodhpur City, Rajasthan" conducted that on 250 mobile phone users of various mobile phone service providers such as Vodafone, Airtel, BSNL, Reliance, Idea, Tata Indicom and few other players. The results derived from the study indicate that the factor that induces the consumers to buy a particular mobile phone operator is call tariffs followed by network coverage and brand image. The study also highlights that majority of respondents are satisfied with the value added services offered by their mobile phone service providers. The findings derived from the study will be helpful for mobile phone service providers in deciding and implementing their sales strategy for the promotion of mobile phone services.

G. Vani, M. Ganesh Babu and N. Panchanatham (2010) in his article "Toothpaste Brands –A Study of Consumer Behavior in Bangalore City" focused that the external factors like demographic, social, cultural ,price, quality ,product attributes etc for buying toothpaste. The market share of any product is highly determined by the purchasing behavior of the consumers. Following study is conducted by the researcher to find out the behavior of the consumers, to analyze the preference of consumers, & consumer awareness. Descriptive research design was adopted and the data is collected through primary and secondary sources. The method adopted for conducting survey is questionnaire; Simple random sampling technique was adopted for selecting the consumers.

Sangvikar and Kotle (2012) said that Organized retail sector is growing rapidly and consumers are shifting to shopping in organized retail stores. Thus, understanding of shoppers' behavior is the key to success for the retailers. Marketers will have to understand the consumers' shopping behavioral dimensions that will help them to tap the consumer in a better way. In the study researchers have observed that customer purchasing behavior towards garments & cosmetics followed by food & eatables and electronic goods. It was observed that the performance of the salesperson was up to the mark in communication and courtesy while they lack in the performance as far as product knowledge, discipline and prompt services are concerned Hence, it suggested that retailer should provide training for product knowledge, discipline and prompt service which actually increase customer satisfaction.

A. Abdul Brosekhan and Dr. C. Muthu Velayutham concluded that Conditions of competition are changing rapidly today and companies that strategize and react to these changes promptly and quickly are the most successful. Due to technological developments, physical differences of products have decreased. Differentiation should be made on the meanings products bear instead of on their physical features. A successful brand differentiation can be possible by building

personality. Thanks to brand personality, consumer sees brand as friend since it provides him with emotional benefits.

Shiau Pei Shih, Szuchiang Yu, and Hui Chin Tseng (2015) stated that the group of self-prepared drinks pays more attentions and concern on the healthy and formula drinks than the group of bottle drink and handmade beverage; the group of self-prepared drinks don't like soft drink and tea beverage as much as the other two groups.

Verma, Rathore (2013) studied the luxury car segment of India. This study revealed that the luxury car market is growing at a steady speed of 25% per annum with more and more numbers of luxury cars entering Indian car market. They observed about the change in attitude of customer accounts for the sudden acceleration in the Luxury Car Market in India, as the emphasis has been shifted from price consideration and affordability to design, quality and pleasure.

Malhotra (2013) compared customer satisfaction of small passenger car owners in special reference to Maruti Hyundai. The result of study shows that the product and service quality affect the level of customer satisfaction, which can be differ as per the brand.

Modi & Julka (2012) describes alternatives for the manufacturers and marketers to meet the emergent consumer demands. An attempt has been made to examine the five factors namely family needs, fuel efficiency, price of the car, better safety on road and status symbol which affect the automobile buying behaviour of the consumer. It is found that factors have major implication on purchasing decision. Marketers can use the combination of relevant factors as an effective tool for selling their products.

Sudhakar and Venkatapathy (2009) examined the influence of peer group in the purchase of car with reference to Coimbatore District. It was also found that the influence of friends is higher for the purchase of small sized and midsize cars.

Chattopadhyay et al. (2010) empirically tested a model for finding the effect of advertising frequency across different media vehicles towards building brand equity for passenger car market. This model was tested for both first time buyers and repeated buyers. The effect of media mix elements on dimensions of brand equity was analyzed. Media mix elements taken for the study was TV ads frequency, print add frequency, event sponsorship frequency; online add frequency and mobile add frequency.

Smriti Bajaj (2007) in his study "Consumer Perceptions of Global and Local Brands in the Indian Retail Industry" pointed out that the purpose of this dissertation is to investigate, in an emerging market, consumer attitudes towards local and foreign brand purchases against a background of factors like Culture, Country of Origin, Product

quality and services. It was found that the quality of global brands was perceived to be generally higher and superior to local brands. Most consumers also associated greater accessibility of foreign brands in the Indian market with better quality at lower prices. Indian consumers were not prejudiced against foreign brand names. They evaluated them higher on technology, quality, status and esteem than Indian brands and attributed higher credibility to those countries of origin. This study adds to the body of knowledge about consumer behaviour and their perceptions of global vs. local brands, in a massive and fast developing market. As companies become global, managers must possess a thorough understanding of the attitudinal and behavioural characteristics of emerging consumer markets, because what is known about consumers in one part of the world is not applicable to consumers in other parts.

Prof. Lakshmi Nair (2011) in her study "Private Labels Brands in Food & Grocery: The Changing Perceptions of Consumers & Retailers in India- A Study in the Pune Region" viewed that the private labels or store brands are on escalating journey for growth in last few years in Indian market. Initially PLBs were considered as cheap alternatives and therefore visible in copycat and generic categories, today they are apart of well defined retail mix strategy, are developed in value innovators and premium categories for profit maximization and customer loyalty. This paper examines the growth of these PLBs internationally and among Indian retailer, mainly in food and grocery segment. It investigates the perceptions of consumers for PLBs and their involvement in purchasing of such PLBs in the retail segment. The purpose is to analyze unique PLB associations in the minds of consumers so as to gauge the customer loyalty, consumer preferences and shopping behavior, and thereby add to retail brand equity.

Monga, Chaudhary and Tripathi (2012) attempted to answer some of the questions regarding brand personality of selected cars in India by conducting the market research. This personality sketching will help in knowing what a customer (or a potential customer) thinks about a given brand of car and what are the possible factors guiding a possible purchase. Thus, by measuring the "willingness of existing users of a car to recommend it to others" will help the car manufacturers to chalk out the entire Customer Buying Behavior. This research will be helpful for the new car entrant companies in India to find out the possible gaps between the customer expectations and the present market offerings. The research analyzed the applicability of existing research concepts, theories, and tools for evaluating consumer satisfaction.

Modi & Julka (2012) made an effort has been made to examine the five promotional schemes namely Exchange Offer, Special Gift, Festival Season Offers, Contest Prizes, Product Warranties which affect the automobile buying behaviour of the consumer. It is found that promotional

schemes have major implication on purchasing decision. Marketers can use the combination of relevant promotional schemes as an effective tool for selling their products.

4. PURPOSE OF THE STUDY

With the increasing percentage in the sales of the automobile industry and with the increasing demand of four-wheelers in today's times, we have formulated the following objectives:

- To study the present state of the Maruti Suzuki Ltd. and Hyundai India Ltd.
- To study the consumer preferences and buying behaviour for these brands of cars.
- To analyse the important factors which have impact on the buying behaviour of the customers in regard to purchase of cars.
- To find out which brand is more preferred and reasons for the same.

5. RESEARCH METHODOLOGY

The design is exploratory and descriptive in nature. A questionnaire was developed to study the above-mentioned objectives and the study was conducted on the customers residing in Jaipur city. One model from each company was selected. Swift from Maruti and I20 from Hyundai were considered for this study.

Scale used: 10 factors had been chosen and were scaled from point 1 to 10 to study the importance of the factors as considered by the customer. Safety, design, space, comfort, price, power and technology, pick up, advertising and suggestion of family and advice of friend.

Sampling area: 200 buyers had been approached out of which only 115 were considered useful.

Sampling procedure: Simple Random Sampling had been used

6. HYPOTHESIS

Studying the extensive literature, various variables and factors have been created which has led to these assumptions:

H₀: There is no significant impact of various factors on the buying behaviour of customers with respect to four-wheeler buying between Maruti & Hyundai.

ANALYSIS & RESULTS

- **Reliability Test**

Reliability Statistics	
Cronbach's Alpha	N of Items
.972	2

The cronbach's alpha reliability test shows whether the measures used can be used to test the hypothesis. The score above 0.5 is considered reliable and score above 0.7 is considered good. This test result is 0.972 which show that the questionnaire is very reliable.

- **ANOVA**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	19.83	2	9.91	0.10	0.90	3.35
Within Groups	2643.02	27	97.88			
Total	2662.85	29				

The above test shows the p-value to be greater than 0.05, therefore we cannot accept the null hypothesis. Hence, we can conclude that the factors do influence the consumer behaviour and has impact on their buying. These factors include price, safety, comfort, design, space, technology, etc.

7. FINDINGS & CONCLUSION

Purchase of car is a rational decision. There are number of factors which affect the decision of a buyer. Availability of service network is a positive aspect for Maruti Suzuki. Hyundai is comparatively new brand so definitely establishment of service network will take time, But, for look wise respondents gave more weightage to Hyundai. Features and technical aspects are also very strong in Hyundai. However, the availability of original parts is again in the favour of Maruti. Skilled labour for Maruti is also easily available. Price is another factor which also supports Maruti. But in terms of safety, looks and features Hyundai is first choice for the respondents. The choice of the model is also dependent on the usage pattern of the respondents. Respondents who are using their cars only in city they have different perspective and the respondents who are using their car in different cities or highway they have different thoughts.

Although, there was a downfall in demand of both the brands from Dec. 2016 to February 2017. Now it is going towards better move.

SUGGESTIONS

In this connection following suggestions are offered to understand the behaviour of consumer for buying of a car. Passenger car manufacturers should develop a strong presence in the fast growing urban markets with a range of value for money products. The unique thing is that, the basic psyche of the Indian consumer had not changed. He still is looking for 'Value for Money' (VFM) in terms of low unit cost, operating economics packaged with modern style and robust design. All the services should be customer oriented. In passenger car segment, customer should be the focal point. This is all the more necessary on account of stiff and growing competition among car manufacturers and dealers and rising public expectations and awareness. All decisions must be made in light of customer's interest and convenience. The buyers also seek the advice of relatives while making a purchase of car.

To convince the relatives, the manufacturers should take the help of advertisement. The advertisement should emphasis on the various attractive features of car like mileage, fuel consumption, finance facility and after sales services etc. Attractive design of car also makes a good impact on the purchasing decision. The advertisement of the car should not merely highlighted the good design but the advertisement copy should also include in the layout the factors like effective air condition, power window, and CD player etc. Presentation of advertisement should be changed according to time with the newly added features of product. For advertising different type of media should be used and the customer's interest should be considered as the time of developing the advertising copy.

Preferences change with time. Cars are now status symbol as well. People prefer a stylish car with good mileage and great after sales services all in one combo offer. The study suggests that car manufacturers should keep these preferences in mind while preparing new designs for compact cars. Hyundai's i10, i20, i20 sportz, Maruti Suzuki's Swift and WagonR, have been among the market leaders. These are now given competition by Ford Figo, Nissan's Datsun, and Volkswagen Polo. If we see clearly, it can be drawn out that these cars come in budget, are family cars and provide luxury look and

comfort at the same time. These are the latest buying preferences preferred by young buyers these days.

So, promotion and advertising strategies should be adopted taking these preferences in mind. The brands like Maruti and Hyundai need to take the looks to the next level along with maintaining their brand name with price and safety norms being intact.

The study has concluded all the factors that affect the buying decision of the buyers in today's world. Companies, today, provide after sales services more appropriately than a few years back. Today, technologies and connectivity services have improved for the better. Advertising and promotion methods should be chosen for highlighting these positive aspects of the companies.

While concluding the study, we would suggest that design, price and comfort all go hand in hand for young buyers and the companies need to fight competition with the combination strategies fulfilling the latest demands of the customer base.

8.LIMITATIONS OF THE STUDY

Being limited to a single city is the limitation of this study. Also, generalization on the part of the employees also restricts the results of the study. The employees may or may have not given honest answers. Apart from these limitations the study is purely original and done honestly to contribute in the field of Marketing Management.

9.IMPLICATIONS FOR FUTURE

The study has been confined to the city of Jaipur and the customers residing in this city itself who have been selected from different dealers. While the study focused on the customers of this city, it is limited in its scope. Similar studies can be performed between other brands available in the city or between cities like Jaipur, Delhi, Mumbai etc. to compare between the scenario of the brands in different cities. This would enhance the scope of the study to give much stronger evidence for the hypotheses. Also, comparisons can be made among latest brands of passenger cars which have entered the market lately, so that new inferences can be made about the new brands and conclusions can be suggested against the market pioneers and new entrants. This would also help the

earlier brands to improvise and strategize better to maintain market positions.

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