



A STUDY ON THE CUSTOMER SATISFACTION FOR PASSENGER VEHICLES IN AUTOMOBILE INDUSTRY

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ABSTRACT

Today the most attractive industry is Automobile industry and in current era as there is increase in the disposable income in rural as well as urban sector and also the financial institutes are easily providing finance. And now the competition is continuously increasing in the sector with some new companies who are coming in and ready to setup business in Indian markets. Customer satisfaction is one of the major factors which could help car companies in marketing of their products. Knowing and analysing customer satisfaction is very important as it would help the companies in knowing that how much a customer is satisfied with their brand of car and the possibilities of these customers of buying the same car in future. In this research paper the study of customer satisfaction of selected car brands is done by conducting a survey and it will be helpful for the existing as well as new companies to know the gap between services offered by companies and customer expectations and satisfaction.

Keyword: Customer Satisfaction, Passenger Vehicles, Automobile Industry

I. INTRODUCTION

As India is a market which having a very heavy growth due to which foreign companies are investing more and more because of government initiatives like make in India. Tax benefits are given by government initiatives due to which foreign manufacturers are setting up their plants in India to lower the cost of their products and further provide cost benefit to the customers.

Today the automobile industry in India is experiencing boom in sales as the demand is continuously increasing for all type of vehicles and especially the passenger car segment in this industry is facing growth from last some months. And there are some reasons because of which this boom has occurred in this industry such as the living standard of middle class families has raised up and also there is increase in the disposal income of people especially in the middle class Indian families. Another reason behind this growth is that the government of India has taken various initiatives such as allowing 100% FDI (Foreign Direct Investment) and relaxation in foreign exchange, reduced tariff rate on importing, liberalization in banking which has led to increase in purchase of cars by getting it financed.

And as the Indian Automobile industry is growing especially the passenger car segment due to the rise in customer's ability of purchasing there is also high demand for high-end cars which till now had very less portion in Indian market but now as the current trend is going on many foreign automobile companies are planning to enter Indian car market as there is lot of opportunities available.

As the Indian Passenger car companies can see the competition arising they are now planning to increase the quality of their products and services from the current level they are providing and also to increase production of exports and trying to make more innovative products. In the coming time there are very much chances that India may become a key market in the automobile industry for the manufacturers of car companies which will provide them benefit in the form of local demand created and also find a good base for exporting.



The automotive manufacturing industry comprise of production of four types of vehicles that are passenger vehicles, two-wheeler, commercial vehicle and three-wheeler.

- Two-wheelers has 79% share in the domestic market and till now the most popular type of vehicle in the Indian market.
- In last financial year that is 2018 there was total production of 25 million automobiles.
- From the last five financial years the volume of total production is growing at the rate of 5.5% annually.
- Indian automobile market is dominated by passenger cars and two-wheelers segment.
- In the domestic passenger car market, small and mid-sized cars dominate the sales.

II. OBJECTIVE OF THE STUDY

The objective of the paper is to study the customer satisfaction for passenger vehicles.

The Indian Automobile Industry

In India automobile industry is at growing stage as today the market size is increasing there are many opportunities available in the Indian market both in the rural as well as urban areas. And due to the opportunities which are available in the Indian automobile industry there are many big companies who are interested and also investing in the Indian market of automobiles. As this industry is growing rapidly it is attracting more and more investors from foreign who are ready to invest in developing infrastructure and new market.

- India is the third largest passenger car market in Asia and may even leave china behind in this market because of high growth percentage.
- India is the fifth largest commercial vehicles manufacturer in the world.
- India is the second largest two-wheeler manufacturer in the world.
- India is the second largest tractor manufacturer in the world.
- Out of total indirect taxes collected the Indian automobile industry helps in contribution of 17%.

India became the fifth largest auto market in 2019 with sales reaching to 3.81 million units. It was the seventh largest manufacturer of commercial vehicles in 2019.

The two wheelers segment dominates the market in terms of volume 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.

India is also a prominent auto exporter and has strong export growth expectations for the near future. In addition, several initiatives by the Government of India and major automobile players in the Indian market are expected to make India a leader in the two-wheeler and four-wheeler market in the world by 2020.

Domestic automobiles production increased at 2.36 per cent CAGR between FY16-20 with 26.36 million vehicles being manufactured in the country in FY20. Overall, domestic automobiles sales increased at 1.29 per cent CAGR between FY16-FY20 with 21.55 million vehicles being sold in FY20.

Two wheelers and passenger vehicles dominate the domestic Indian auto market. Passenger car sales are dominated by small and mid-sized cars. Two wheelers and passenger cars accounted for 80.8 per cent and



12.9 per cent market share, respectively, accounting for a combined sale of over 20.1 million vehicles in FY20.

Overall, automobile export reached 4.77 million vehicles in FY20, growing at a CAGR of 6.94 per cent during FY16-FY20. Two wheelers made up 73.9 per cent of the vehicles exported, followed by passenger vehicles at 14.2 per cent, three wheelers at 10.5 per cent and commercial vehicles at 1.3 per cent.

Customer Satisfaction

Customer Satisfaction is a business term and it measures how products and services supplied by a company meet or surpasses customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a balanced scorecard.

In a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Necessity of Customer Satisfaction

Organizations are increasingly interested in retaining existing customers while targeting non-customers. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the market place. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which co-relate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Since satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement, although a large quantity of research has recently been developed. Some of the domains of satisfaction are

- I. Quality
- II. Value
- III. Timeliness
- IV. Efficiency

These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

Measuring Customer Satisfaction

The basis for the measurement of customer satisfaction with a service is done 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.

The usual measures of customer satisfaction involve survey with a set of statements using techniques or scale. The customer is asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured.

V. IMPORTANCE OF CUSTOMER SATISFACTION

Consumer Intentions and loyalty

Loyalty can be defined as a favourable evaluation that is held with sufficient strength and stability to promote a repeatedly favourable response towards a product or a store. According to Kumar and Shah



(2004), consumer loyalty seems to be based on a collection of factors. The first is trust. Second, the transaction or association must have a positive supposed value superior than that supplied by competitor. Third, if marketers put together on the first two factors, they may be able to create a level of positive client expressive attachment. Bowen and Chen (2009) verified the nonlinear and asymmetric relationship between customer satisfaction and customer loyalty. When satisfaction increased above a threshold, purchase loyalty went up rapidly and when satisfaction dropped below a threshold level, purchase loyalty decreased equally rapidly. Mittal *et. al.*, (2012) discussed the relationship between satisfaction and loyalty changes over time. However, the relationship between satisfaction and loyalty is expected to be dependent on the quality of the product and services. Thus loyalty and satisfaction are essential and also help how a customer will make a purchase in the future.

Point of Differentiation

In a cut-throat market where businesses try to win for clients; client satisfaction is seen as a key differentiator. Businesses who succeed in this cut-throat environment are the ones that make client satisfaction a key element of their business scheme. Client satisfaction help you keep a finger on the pulse of your existing clients, it can also act as a point of discrimination for new clients.

Customer Lifetime Value

Satisfaction acting an important role in how much revenue a buyer generate for the company. Successful businesses recognize the significance of client lifetime value (CLV). If you increase CLV, you increase the returns on your marketing dollar. Client lifetime value is a beneficiary of high client satisfaction and good client retention.

Customer Retention

Retention is directly tied to loyalty. Satisfaction keeps clients coming back for more and doing business with you in the opportunity. They're more likely to stick with your brand longer and ultimately turn into the kind of advocate that will help to extend the word for you, thereby earning you more clients down the road.

Measurement of Satisfaction

There's a strong association between satisfaction and replicate company. Keeping new clients happy will increase the likelihood of them buying from you again while poor client service on your part then lower the probability of them coming back.

Clearly knowing the expectations of costumers

This is very important to know clearly that what customers are expecting from your product, and assuring that these expectations are communicated systematically overall touch points.

Parameters of Customer Satisfaction in the Automobile Industry

The following are the parameters of Customer Satisfaction in the Automobile Industry:

- a) **Sales Satisfaction Index:** The study is to analyze sales satisfaction of customers across six vehicle components including delivery process, delivery timing, salesperson, dealer facility, paperwork, and deal.
- b) **Customer Satisfaction Index:** The study reveals how satisfied car customers are with the services offered by various car manufacturers. It researches across seven vehicle components including problems experienced; service quality; user-friendly service; service advisor; service initiation; service delivery; and in service experience.
- c) **Initial Quality Study:** This study defines the quality standards of new vehicles across nine vehicle components including vehicle exterior, interior, driving experience, features-controls and displays,



audio and entertainment, seats, HVAC (heating, ventilation and cooling), engine, and transmission. These components are categorized under two distinct categories, quality of design and quality of production.

- d) **Automotive Performance and Execution Layout:** The study analyses the factors and reasons that excite and delight car owners based on 11 vehicle factors including vehicle's exterior; interior; storage and space; audio/entertainment/navigation; seats; heating, ventilation and air conditioning (HVAC); driving dynamics; engine/transmission; visibility and driving safety; and fuel economy.

VI. LITERATURE REVIEW

Rao and Kumar (2012) revealed study on "Customer satisfaction towards automobile sector—A study on Passenger cars in India with the objectives to study the customer satisfaction with the usage of vehicles, after sale service, key area of strength, service and quality. They take the sample of 100 respondents and used the percentage technique. They concluded from the study that majority of customers are satisfied with the safety, dealer service, customer relationship etc.

Shende (2014) studied consumer satisfaction towards passenger car segment in India. The objective of this study was the identification of factors influencing customer's satisfaction for particular segment of car. Proper understanding of Customer satisfaction will help the marketer to succeed in the market. Scenario of stagnancy in sales and cultivate future demand for automobile car market was also attempted in this study.

Kumar and Chauhan (2010) mentioned a study on "customer satisfaction, dissatisfaction and post purchase evaluation: an empirical study on passenger cars in India" with the main objectives to examine the satisfaction and impact on future purchase decision and explore the performance of different attributes in automobile in giving satisfaction to customer with the sample size of 150 customers and they used the multiple regression techniques and they revealed from this study that customers are highly satisfied with the behavior, service quality etc. and other attributes like quality, dealers facility influence the consumer future purchase decisions and consumer give the more importance to these factors.

Nistorescu, Barbuand and Dumitriu (2013) conducted a study concerning customer loyalty in the auto market. 593 customers were taken as sample for the survey. Simple random sampling technique was used to select the sample. A structured questionnaire was used to collect the data. The analysis showed statistically significant correlation between satisfaction and repurchase, between satisfaction and recommendation and between recommendation and repurchase. The researchers concluded that loyalty is a powerful marketing tool and the three dimensions are interrelated.

Nataraj and Nagaraja (2012) conducted a research on "Customer satisfaction in automobile industry –an Indian online buyers" perspective of car manufacturers" websites". The objective of the study was to reveal the online behaviour of today's auto Customers. Exploratory research was undertaken and a structured questionnaire was designed and sent to 50 online customers. Customers consider "quality of content" and Ease of navigation" as the most significant factors. The researchers concluded that online landscape evolves rapidly with the emergence of powerful Customer-to-Customer tools like blogs, discussion forums, social networking sites and virtual worlds.

According to Reddy, Reddy and Rao (2016) India is one of the fastest growing economies in the world. Automobile industry had seen many ups and downs in India prior to liberalization. The liberalization of Indian economy enabled India to advance itself in many sectors. Automobile is one such sector wherein India has seen tremendous improvements. To sustain this rate of growth in automobile sector India has to



introduce so many measures to have higher customer satisfaction. Tata Motors is the leading automobile company in India. Unfortunately it could not make a significant contribution in the field of motor cars. To be successful the company has to read the minds and perceptions of the prospective buyers. The present study attempts to analyse the variables that affect the buyer behaviour. A survey was conducted at major cities in Andhra Pradesh to find out the satisfaction levels of Tata Motor Car users. A sample of 500 respondents was taken, and survey was conducted using a structured questionnaire. Chi-square, ANOVA and Regression analysis were used to analyse the collected data. From the analysis it was found that demographic variables such as age, educational qualification, occupation and income level have a significant impact on the consumer satisfaction levels.

Shende (2014) studied consumer buying behaviour towards passenger car segment in India. The objective of this study was the identification of factors influencing customer's preference for particular segment of cars such as small & hatch back segment, Sedan class segment, SUV & MUV Segment and Luxury Car segment. Proper understanding of consumer buying behaviour will help the marketer to succeed in the market. Scenario of stagnancy in sales and cultivate future demand for automobile car market was also attempted in this study.

Praveen and Verma, (2014) worked to get QFD model to improve service quality using customer needs priorities in a 5-star hotel of Indore. In the research customer satisfaction and importance degree of each need was investigated using survey method.

Shuqin and Gang, (2012) conducted an empirical study on the relationship between after sales service qualities in China Automobile sector and they found that fairness, empathy, reliability and convenience have significant positive impact on customer satisfaction while responsiveness doesn't have a significant impact on customer satisfaction and at the same time satisfaction has a significant positive impact on trust and trust has a significant positive impact on commitment. They also found satisfaction and commitment both have a significant positive impact on relationship value but trust cannot impact relationship value directly.

Nataraj and Nagaraja (2012) studied on Customer Satisfaction in Automobile Industry –An Indian Online Buyers' Perspective of Car Manufacturers' Websites. It analysed consumer attitudes towards Internet-based car manufacturers' websites. The aim was to obtain a theoretically and empirically grounded initial reference position, to examine and interpret the role played by changes in the variables representing consumer preferences and shifts in these preferences, and thus helps the car manufacturers learn in depth the ways to enhance customer satisfaction. Finding showed that the two independent variables significantly affect the satisfaction of Indian car buyers on the Internet.

VII. CONCLUSION

To conclude, the results show that the companies are very well trying to maintain their customer relationships with various marketing techniques and connect to the customers both present and potential. The companies are operating in a highly aggressive and competitive global market place and this climate has led to the emphasis on quality in all aspects. Management of quality focuses on integration and coordination as well as the continuous improvement of all activities and processes. Today the manufacturers are integrating two things that is building good quality products and building good relationship with dealers and enhancing service levels. However, to increase the sales of passenger cars, companies must use various retail marketing techniques such as promotion through word of mouth which will be done by satisfied customers and companies need to focus on always keeping these loyal customers satisfied. As we can see in this paper



and conclude that today satisfaction is the most important factor for customer in buying the passenger cars and availing the after sales services. And there are various factors affecting customer satisfaction that can be behavior of sales person, service quality, level of satisfaction etc.

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