

**Customer's Perception on Automotive Spare Parts
at XYZ Limited*, Kolkata**

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Comments by the Faculty

The XYZ group comprises of over 100 operating companies in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The group has operations in more than 80 countries across six continents, and its companies export products and services to 85 countries. The project work has been carried out in the Bearings division. The project is essentially focused on Consumer Involvement theory which basically means how the consumer is involved in the purchase of various products in the market and how the consumer is responding towards the product after purchasing the product. The objectives of this study were to study and analyze the consumer decision making process with respect to the purchase and usage of automobile spares, and, to recommend factors which should be included in the Integrated Marketing Communication.

It has been revealed that, the Indian Bearing market is also growing at a much rapid pace. It was also indentified that, the most of the factors considered in the study have significant effect on the overall satisfaction of the customers. It is recommended that surveys should become a regular feature of every company so that changes in the customer priorities could be traced in time.

The present study was an attempt to implement Consumer Involvement theory in a real company scenario. While undertaking the present study, the student needed prepare a questionnaire, conduct the survey, analyze data and propose recommendation. The project was a great exposure for the student to connect a number of marketing concepts with real life situation faced by a company. The student, while carrying on the project, had one-to-one interaction with the concerned personnel and attempted to draw a realistic picture of the issues and concerns for the company XYZ.

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*The name of the company has been disguised, to maintain confidentiality.

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Background of the Organization

The XYZ group comprises of over 100 operating companies in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The group has operations in more than 80 countries across six continents, and its companies export products and services to 85 countries.

The total revenue of XYZ group was \$100.09 billion (around Rs.475, 721 crores) in 2011-12, with 58 percent of this coming from business outside India. XYZ group employ over 450,000 people worldwide. The different products manufactured by the company comprises of Agricultural Implements, Flat products, Long products, Plants and Equipment, Tubes, Wires and Bearings.

The project work has been carried out in the Bearings division. The project is essentially focused on Consumer Involvement theory which basically means how the consumer is involved in the purchase of various products in the market and how the consumer is responding towards the product after purchasing the product. The consumer behavior influences has three aspects: they are acquiring, using and disposing. The acquiring means that how the consumer spends money on the products, such as leasing, trading and borrowing. Using means some of the consumers use the high price products and some of the consumer sees the quality. Disposing is nothing but distribution, order or placing a particular product.

The Target Market of Bearings

The demand for bearings can be clubbed under following Categories:

A. Original Equipment Manufacturers (OEM) Market: The OEM market for bearing represents the demand arising out of the original vehicle and industrial manufacturers. The demand for the OEM market directly depends upon the growth in user industry. OEM market accounts for 40% of total demand of bearing industry. This market is characterized by requirements of high quality, stringent delivery norms and lower margins. This market comprises of bearings used in the Automotive segment and Engineering Segments namely Railways, etc.

B. Replacement Market: Replacement Demand is the after demand where as a part of the maintenance of the machines or rotating machine, the bearings are replaced by new bearings after it is failed as natural life deterioration / wear or tear or due to premature failures and need replacement The replacement market represents the demand arising on account of replacing the used and worn-out bearings.

The replacement market is highly price sensitive and has higher share of unorganized players and cheaper imported bearings. XYZ Company strategically balances the portfolio of products among various segments/groups. Out of the 38million bearings manufactured by the company,

approximately 60% of the bearings are catered to the Automobiles Segment, 25-30% is consumed by the Engineering segment and 10-15% is sold in the channel market.

This market research study was conducted due to the following reasons:

- There is a steep competition in the replacement market and a bearing is one of the products in this segment.
- Low involvement product and lack of marketing activities by XYZ Ltd.

(Documents & Resources for Small Businesses and Professionals, docstoc.com. Retrieved March 7, 2013)

Research Objectives

The objectives of this study are:

- Study and analysis of consumer decision making process with respect to the purchase and usage of automobile spares
- Recommendations of the factors which should be included in the Integrated Marketing Communication.

Hypothesis

1. There is no significant relationship between brand of the product and age of the customer.
2. There is no significant relationship between latest technology associated with the product and the brand associated with the product.

Research Methodology

The following research methodology has been adopted for the present study:

Descriptive method: To describe systematically a situation or area of interest factually and accurately. The reason behind selecting descriptive method is that our research included:

- The study of Market Characteristics.
- We had a prior formulation of specific hypothesis.
- The research involved a Preplanned and Structured Secondary data, Surveys and Observational data.

While deciding about the sample of research, from the researcher's point to pay attention, we have considered these under mentioned points.

- a) The sampling method was Convenience sampling where data was collected by meeting the people who took their vehicles for servicing in a garage or any authorized service centre.

- b) Sample size: 70 face to face interviews via questionnaire in print format and asking them to fill it.
- c) Source of data: Data required for the study has been collected through administration of a questionnaire (attached as Appendix 1) in the area of Kolkata.

Findings

The present study includes 3 major analysis: Univariate Analysis, Bivariate Analysis and Factor Analysis (Nargundkar, 2008). They are as follows:

a) Univariate Analysis:

The findings have been stated in Table 1.

**Table 1 :
Univariate Analysis**

Questions Asked	Responses of the respondents
1. Age of the respondents	18% of the age group were below 25 years and 36% of the age group were between 26- 35 years, 33% of the age group were between 36-45 and the rest of them were above the age group of the 40 years
2. Type of vehicle owned by the respondents	31 respondents had two wheelers, 18 of them had three wheelers and 29 respondents owned four wheelers.
3. Preferred service centre	59% of the people preferred to take their vehicles to authorized service centre and manufacturer’s workshop for servicing their vehicles, the rest 31% prefer roadside garage and local mechanic for servicing their vehicles
4. Preferred Service Centre by the owner of Two wheeler Vehicles	74% of the people having two wheelers preferred to go to authorized service centres for getting their vehicles serviced
5. Preferred Service Centre by the owners of Three wheeler Vehicles	61% of the people having three wheelers preferred local mechanics for servicing their vehicles
6. Preferred Service Centre by the owners of Four wheeler Vehicles	Nearly 69% of the people having two wheelers preferred to go to authorized service centre for getting their vehicles serviced

<p>7. Respondents were asked if branded spare part is important for their automobiles even it costs you higher</p>	<p>27% of the respondents felt that brand is the most important criteria while buying a product and 40% of the respondents felt that brand is one of the important criteria while choosing a product and 6% of the people felt that brand is least important while choosing a product.</p>
<p>8. Respondents were asked whether they like to use latest technological upgrades available in the market for the spare parts irrespective of advice from mechanics/ dealers.</p>	<p>Nearly 25% of the people strongly agreed that they prefer to use latest technological upgrades available in the market for the spare parts irrespective of advice from mechanics/ dealers, while 6.41% people gave least importance to latest technological upgrades while choosing a spare part</p>
<p>9. Respondents were asked if they were dependent on automobile spare shop to recommend spare parts</p>	<p>8.97% of the respondents relied heavily on the spare shop for recommendation of the brand of spare part and 21.79% of the respondents depend too little on the spare shop for recommendation of a spare part for their vehicles.</p>
<p>10. Respondents were asked whether they believe that higher priced product have better reliability as compared to low cost products.</p>	<p>Approximately 24% of the respondents strongly agreed that price is directly proportional to reliability, nearly 40% of the respondents agreed that price and reliability have some interdependence whereas 6.41% strongly disagreed with the fact that price has any relationship with reliability</p>
<p>11. Respondents were asked if the accessibility of spare parts is vital for them.</p>	<p>37.18% of the respondents thought accessibility of the spare part is very important for them, 19.23% of the respondents felt that accessibility of the spare part is important for them and 10.26% of the respondents felt that accessibility of the spare part is least important for them</p>
<p>12. Respondents were asked whether they preferred to use the brand recommended by mechanics.</p>	<p>12.82% of the respondents strongly agreed that they were too much dependent on the mechanics for the brand of spare part</p>

b) Bivariate Analysis

13. Cross-Tabulation of Age and Importance of Branded Spare Parts.

From the output obtained via SPSS software, the Chi-square test read a significance level of 0.014 at 95 per cent confidence level. For 95 per cent, significance level is 0.05. So, the above result showed that at 0.014(which is less than 0.05), there is a significant relationship between the two variables. So, it was inferred that there is significant relationship between the age of the person and the usage of branded spare part for their vehicle. The Pearson's Chi-Square value provides sufficient claim against the null hypothesis. Hence, the null hypothesis is rejected. People in the age group of 26-35 and 36-45 gave higher preference to the branded spare part.

14. Cross-Tabulation of Brand of Spare Part and upgraded Technology used in the spare part.

Conclusion: From the output tables obtained using SPSS software, the Chi-square test read a significance level of 0.016 at 95 per cent confidence level. For 95 per cent, significance level is 0.05. So, the above result showed that at 0.016(which is less than 0.05), there is a significant relationship between the two variables. So, it was inferred that there is significant relationship between the brand of the spare part and the upgraded technology used in it. The Pearson's Chi-Square value provides sufficient claim against the null hypothesis. Hence, the null hypothesis is rejected. So, it can be inferred that the people who give importance to the brand of the spare part also give importance to the upgraded technology used in the spare part.

c) Factor Analysis: The finding of the factor analysis has been depicted in Table 2.

**Table 2:
Principal Component Analysis**

Component Matrix		
	Component	
	1	2
BRAND	.737	.299
TECHNOLOGY	.111	.953
RELIABILITY_VS_PRICE	.629	.009
ACCESSIBILITY	.819	-.405
Extraction Method: Principal Component Analysis.		
a. 2 components extracted.		

Interpretation of the output: As evident from the above table (looking at the Cumulative Pct Column), we find that the two factors extracted together accounted for 69.56% of the total variance. Hence we have reduced the number of variables from 4 to 2 underlying factors. Looking at the component matrix table, we see the variable brand and accessibility have loadings of .737 and 0.819 on factor 1. These two variables can be clubbed into a single factor. As for factor 2, we see the variable technology has loadings of .953. We can use these two factors to design an advertisement campaign to create awareness of the product.

Recommendations

- Create awareness among the people about XYZ Bearings and its advantages in the markets. For e.g. Advantages of XYZ Bearings are:
 1. Light weight
 2. Makes driving much more comfortable
 3. Needs less maintenance
- Create brand awareness of the company which is very low in these markets through low cost advertisements and promotional activities. Hoarding must be displayed in strategic position. The company should adopt different strategies for different markets. A state should be divided into two parts, the developed areas and developing areas.
 - In developed market, low cost advertisement could be used as promotional tools for building brand awareness.
 - In developing market, the priority should be given to dealers for pushing our product in the market through sales contests (Refer table no.2).
- XYZ Bearings caps and tee shirts can be given to the auto rickshaw drivers to increase visibility. XYZ Bearings can sponsor some major motor training school in different cities. In the process, they can create their brand awareness within the customers.

As the brand awareness is very low in the market, for selling the XYZ bearing, dealers has to convince the consumers which require extra effort. Till date very less promotional activities are undertaken by the company. The dealers are getting many attractive schemes from the competitors, thus they are more interested in selling their products. Thus to motivate dealers, the company should undertake some promotional activities. The following trade promotional tools are used for motivating retailers, wholesalers:

1. The retailer or wholesaler can be persuaded to carry more units than normal amount through sales contests.
2. Retailers can be induced to promote the brand by giving special allowances.
3. Retailers and their sales clerks can be stimulated to push the product through various promotional activities like sales contests, trade shows and conventions.
4. An incentive scheme has also been proposed for the above purpose, which has been depicted in Table No. 3.

**Table 3:
Suggestions for Motivating Dealers in the Form of Sales Contest**

CATEGORY	SALES-VOLUME	GIFTS/INCENTIVES	RANGE (In Rs.)
A	Above 1,00,000	Tour Packages Gold Price – off	More than 5000
B	Above 50,000	Crockery Allowance	Rs. 500 to 1000
C	Above 25,000	Seasonal gifts Winter - Jacket Summer - Caps Monsoon - Raincoat	Rs. 250 to 500
D	Above 10,000	Small gifts Pen, Dairy, Memo pad, Wall Clock, calendars	Rs. 100 to 200

- Certification Programs can be organized for the road side mechanics and hoardings can be provided in front of the roadside garages mentioning that they are XYZ certified garages so that people can trust them more in terms of genuine spare parts being provided to them. In this way, we can increase our brand visibility by certifying them.
- Since there is a high correlation between brand and technology, so XYZ Bearings should come up with some advertisements which positions XYZ Bearings as a tech savvy product.
- The range of bearings offered by XYZ Bearings in various segments is quite limited as compared to its competitors. So, it should increase its product range.
- The accessibility of XYZ Bearings is not good and there is often delay in the delivery of the product. So, separate warehouses needs to be kept at different locations so that the transportation of materials can be made easier and the delay in the delivery time can be minimized.

Consumer promotional tools: The consumers’ promotional tools are discounting coupons schemes; cash refund offers, product warranties, patronage awards and point of purchase display and demonstrations.

Limitations of the Study

While surveying, I encountered some problems like:

- A survey should involve a larger sample size otherwise the findings of the survey cannot be generalized. But a larger sample size may increase the time and cost of collecting the primary data with the help of Questionnaire. In this project, the sample size was not very large due to time constraint.

- Many of the respondents were not willing to fill the questionnaire.
- Few of them responded in hurry; hence the active participation was lacking. So, I had to discard such responses.
- Another problem which I faced was that people were hesitant to give information about their views freely.

Conclusion

The Indian Automobile Industry is on overdrive. The rapid urbanization, coupled with an overwhelming growth in the middle class population, has created an Indian market that is extremely conducive for the automobile industry to flourish. As a result, the Bearing market is also growing at a much rapid pace. From the outcome of the study it can be concluded that the most of the factors considered in the study have significant effect on the overall satisfaction of the customers.

However, in this study, customer's level of satisfaction is moderate for most of the attributes. For this reason, Statistical calculations have been complemented with an analysis in order to highlight those attributes where managers need to pay more attention.

It is recommended that surveys like these become a regular feature of every company so that we are able to understand and track changes in customer priorities. To do this however, we will need to ensure that our dealer, retailer and customer databases are updated at a regular basis.

References

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Appendix I

Questionnaire:

As a part of academic requirement, we are doing a survey to know the automotive aftermarket and buying behaviour of consumers in Kolkata and adjacent places. The data collected is used only for academic purposes and will be kept confidential. Thank you for your support.

1. **What type of vehicle do you have?**

Two wheeler

Three wheeler

Four wheeler

Commercial Vehicle

2. **Where do you get your vehicle serviced?**

Service at home

Authorized Service Centre

Local Mechanic

Road Side Garage

Manufacturer's Workshop

3. **To what extent are you satisfied with repair of your vehicle in terms of its original driving comfort?**

Very Dissatisfied

Dissatisfied

Neutral

Satisfied

Very Satisfied

4. **To what extent do you think that a branded spare part is important for your automobiles even it costs you higher?(1-least important,5-most important)**

1

2

3

4

5

5. **I would always use latest technological upgrades available in the market for the spare parts irrespective of advice from mechanics/ dealers.**

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

6. **To what extent do you depend on automobile spare shop to recommend spare parts?**

Far Too Little

Too Little

Quite a bit

Too Much

Far Too Much

7. **How much are you concerned for you and your family's safety when you repair your vehicle?**

Far Too Little

Too Little

About Right

Too Much

Far Too Much

8. **I think that higher priced product have better reliability as compared to low cost products.**
 Strongly Disagree Disagree Neutral Agree Strongly Agree
9. **To what extent are you satisfied with your mechanics claims in terms of genuine parts and price being charged for components use in repair of your vehicle?**
 Very Dissatisfied Dissatisfied Neutral Satisfied Very Satisfied
10. **How vital is the accessibility of spare parts for you?(1- least important ; 5- most important)**
 1 2 3 4 5
11. ***I would prefer to go to a repair shop which promises genuine spares as compared to better services.***
 Strongly Disagree Disagree Neutral Agree Strongly Agree
12. ***I would always prefer to buy spare parts on my own rather than going by what mechanics used.***
 Strongly Disagree Disagree Neutral Agree Strongly Agree
13. ***I would prefer to use the brand recommended by mechanics.***
 Strongly Disagree Disagree Neutral Agree Strongly Agree
14. **I would like to ensure that imported (Chinese) spare parts in my automobile since it costs cheaper.**
 Never Rarely Sometimes Most of the Time All of the Time
15. **Age**
 Below 25 26-35 36-45 46-55 above 55