

Indias rapid growth of private vehicles marketing essay



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India has seen a rapid growth of private vehicles . Until the 80's, industrial production in India was on license bases and two models comprised the whole car industry, together selling more than 40K cars an year. The total population of the country at that time was 684 million. On the other hand, the population of United States of America was 226 million but over 7 million new passenger cars were sold in the country (National Transportation Statistics, 2008). It is in the 90's that when liberalization arrived resulting in an increase in the sale of cars. The fast rate of growth of the economy since 2001 became a cause of supplementary spur to the growth of car sales. Presently, India is one of the top 12 passenger car market having recorded national sales of around 2 million cars in the year 2009-2010. In India there is a penchant in the consumers to hold their cars longer and thus the used car market and the new car market are equal in size in India, whereas it is double in size in the rest of the world (Roychowdhury, A., 2007). The used car market size is also expected to grow with the new car market. In the motorized two wheeler segment, India stands as the second largest market in the world with trailing only behind Japan. With over 9 million sales in the year 2009-2010 the sales of two wheeler segments have exceeded that of cars with leaps and bounds since the 70's. As is the case with the car segment, the growth in the two wheeler segment is also very current. The market saw rise of many competitors and introduction of various models with the opening of the market to foreign players or collaborators. Currently Indian market hosts a wide range that includes scooters, motorcycles, mopeds, electrically operated vehicles and motorcycle with higher volume engines. This likelihood of the large shift in consumer preferences from two

wheelers to cars can cause substantial changes in the market and mode shares.

EARLIER STUDIES OF VEHICLE CHOICE

Let us see the earlier studies that have been undertaken on the same domain. New vehicle purchase is the basis of most of them. Some of them are based on the preference of the most pricey or recurrently used vehicle. The focus of these studies is mainly the particulars of manufacture, models and vintages or on preferences among vehicle types. The multinomial logit model is frequently used in studies of vehicle type preference. Machine features such as the buying cost, number of seats, operating cost, luggage, used and free space, weight and age of the vehicle are found to have the most effect on the choice of the vehicle purchased (Mannering & Winston, 1985, Berkovec & Rust, 1985, Mannering et. al. 2002). In some other studies done on the subject, machine features/attributes are correlated with socio-demographic variables to investigate the transforming preference of different vehicle attributes with alter in socio-demographic personality. The interaction between income and price was one of the significant socio-demographic variables in most of the studies. Some studies also pointed the consequence of the number of members in the household on vehicle preference (Lave & Train, 1976, Kitamura et. al. 2000). Some explore the effect of transit accessibility (Kitamura et. al, 2000) and finds that four door sedans have a tendency not to be preferred in areas where public transit is unavailable. Some explore attitude and lifestyle choices in the view of attributes like subjective and objective mobility, travel penchant, character and demographics. They duly noted that drivers of different size categories

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differ in many of attitude and lifestyle choices (Choo and Mokhtarian, 2004). Ni decodes motorization pathways, vehicle buying and using pattern in Shanghai. He further conducts a factor analysis of attitudes and choices and uses the output to analyze choice of the most posh vehicle owned. He finds gender, income, and the perceived effect of status to have considerable effects on vehicle buying and using manners (Ni, 2008). Some studies conducted in Chennai between 2007 and 2008 show income, small children (school going), female earners to have an effect-increased probably of owing a car- on the decision. They also observed that peer influence and credit card capacity effect car ownership in a positive way. Families with grocery supplies or markets in close proximity were found to be less probable to purchase cars as compared to other families. The analysts further find that the tendency to purchase motorized vehicles was the leading among families that did not own motorized vehicles five years prior. Given that many families have a two-wheeler and more than seventy percent of the families do not have a car, the authors conclude that car ownership may grow faster than motorized two-wheeler ownership in the future. Dissanayak and Morikaw, in their paper on Bangkok Metropolitan area find existence of school children in households to increases the likelihood of purchasing cars. The studies conducted in other developing countries build a benchmark for this study.

Introduction for coo

Consumers nowadays take pride when they refer to the product with the exclusivity they offer. It can be the advancements in technology which this product offers, its association with anybody or anyone. Similarly consumers

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also associate the exclusivity of the product with the country it is from or the Country-of-Origin. People say, "Its Swiss watch", "Himachali apples", "a German car" etc. However on the other hand they don't reveal that their cell phone is made in China. In the psyche of a customer, it is embossed that manufactured goods from Japan implies quality, Germany indicates consistency, France for the superiority and China for affordability. As we know that consumers make a purchase decision based on the brand image of the product which they have in their mind. The amazing variety of luxury products in India is an evidence of the accruing number of Indian households whose economic status has improved. According to National Survey of Household Income and Expenditure in 2002-2003, there were 30, 000 households in India with an annual income of more than Rs 10 million. By 2007 the number had increased to 60, 000 and by the end of 2011 it is expected to be around 1, 50, 000 millionaires. In older times the consumer had access to most of these luxury goods from other countries i. e. they had to purchase the item from foreign countries only. India has seen in recent years a plethora of foreign brand coming and catering to the local market. This is the result of the affinity developed among Indian consumers for a luxury brand. Automobile sector is one domain which has witnessed high growth in the luxury market . It is said to be rising at 25 percent per year. In Indian scenario car is considered to be a symbol of affluence. The attributes associated with a luxury car are style, luxurious automobile aimed for comfort for the owner or the driver of the vehicle, sacrificing passenger space, luggage carrying capacity and other design specifics for sake of style. Taking the per capita income of Indians a luxury car is very costly and thus is preferred only by high income groups.

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Some of the reasons for the growth of the luxury car market in India - the rise of the disposable income or the buying power of individuals due to healthy growth in the economy. Indian automobile industry and financial institutions have further aided the individuals to buy luxury cars by launching various loan schemes. Youngsters now days have heavy pay packages, people in their 20's and 30's are earning huge and thus become a market for the luxury industry thus we can say that the IT boom in the country has helped the luxury industry in a certain way. With the new regulations by the government coming into effect has encouraged many people to aspire luxury as these regulations have decreased the prices of luxury cars by a substantial amount which has also contributed to the rise in luxury car market.

Effect of Coo and earlier studies

While stereotyping generally refers to the beliefs people have of persons from specific countries, similar is the case with products belonging to certain countries especially if they belong to the luxury class. This form of product linked stereotyping is called the COO effect. Studies have revealed that customers time and again base their purchasing choice on where a particular type of product is made (Johansson, 1985; Samie, 1994). In fact, many luxury customers search specifically for particular goods from a specific nation; for example, for perfumes it is France. So customers buy a product also because of its place of origin, or supposed origin and not only because of price of the product, brand, warranty offered, or store feel. In some cases, particular designer labels comprise products such as garments, which are actually produced in other, less alluring countries, e. g. an Italian designer

label may manufacture its garments in India or may be Bangladesh for that matter. Yet consumers time and again do not take into account this fact; instead, they opt for the product as a consequence of differential intensity (Johansson, 1985; Samie, 1994). They see the prominent designer label which is frequently displayed superficially as a logo while they ignore the “Made- in” label stitched into the piece of clothing as a hook loop. As mentioned earlier this behavior is majorly seen while purchasing luxury items. As a lot of foreign luxury car brands are now entering the Indian market it becomes imperative for us to know the effect of the made-in label while making a purchase decision. Thus I strongly feel that it is very important to study the behavior of the consumers while buying a luxury car and to explore it in the right direction to study the effect of country of origin becomes essential.

Most of the study till now in the domain of the effect of country-of-origin is done by the Chinese. A variety of research studies have revealed that country of origin can affect consumers in many ways, together with social status, store or product choice, professed risk, and in particular, product evaluation such as quality perception, product feelings or purchase intention (Liefeld, 1993; Papadopoulos, 1993; Brodowski, 1998; Kaynakaa, 2000; Li , 2000; Chao, 2002; Huddleston, 2001; and Chui, 2007). How the consumers perceive the products sourced from different countries and their impact positive or negative on them (Chinenn , 2000). Many studies have pointed the impact of country of origin on both product assessment and decision making procedures where customers envisage the probability that a product produced in a certain country will have some features which are the special

attributes related with that place (Zain and Yasin, 1997; Verlegh and Steenkamp, 1999; and Solomon, 2004). Many studies have also shown a systematic bias in the minds of consumers in favor of the products from developed countries such as US, Japan or France. High level of economic and technological advancements in these countries is one of the reasons of this positive stereotype held by the customers (Chinen, 2000; Ahmed and d'Astous, 2001; Huddleston, 2001; and Hsieh, 2004). Products from highly industrialized countries are considered to be better in quality and perceived to perform better. Some researchers also propose that the intensity of relevance customers place on country of origin depends on the product type (Ahmed and d'Astous, 2001). Majority of studies imply that the products which exhibit high complexity are somehow also considered as luxury products by the consumers for e. g. cars, computers, television, home theater system etc and users most likely be effected by the country of origin. Analysing the studies we get to know two major limitations that have been highlighted by some scholars. the first one being the work being wholly based on 'made-in' label, or referred to as country of manufacture (COM), to explore customer behavior towards products from different nations. Global sourcing involves multiple locations or countries for sourcing, though a rising number of studies are investigating country of origin as a multifaceted construct. On the other hand major part of country of origin researches have been done in developed countries mainly the United States of America, Canada and Europe (Wang and Chen, 2004). Studies regarding developing countries or non-western countries are still limited, especially Asian, although there is increasing number of studies which are now taking place at these locations as well. As a result our knowledge of country of origin effects

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outside western countries is scarce (Li, 2000). Analysing the results of the study we come to know about the importance which people associate with the 'Country of origin' in case of a luxury car buy.. The accruing cross-border trade and fast globalization are inspiration for this study so as to explore the role of COO and its effect on several purchasing behaviors, focusing the cross-national consumer behavior. The study showed the consumer perception of the country-of-origin while buying a luxury car, what important points come in the customer's mind while purchasing a luxury car, how the product is evaluated based on its county-of-origin. These form basis of some of the insights which have been resulted from the qualitative analysis.

Reasons for undertaking this study

Country of origin consequence is concerned with how customers recognize goods or brands sourced from a specific country (Chinenn, 2000).

Encouraged by the intellectual conclusions of researchers; a research paper was needed to inquire some valid discussions so as to have a better understanding of the effect of country of origin on the customer purchase decision of a luxury car. It is unclear if customers still give significance to the country where a car is manufactured (Usunierr, 2006). It is not properly explored how consumers assess brands based on its country of origin, how clients show penchant towards a brand based on its country of origin and make a buying decision based on that. Also not many Indian researchers have been undertaking an extensive study in this domain. The country of origin tends to have a larger effect when luxury items are involved rather than essential products, in fact in luxury items the country of origin has seen

to have stronger effect than even price (Wall, 1991). Relatively fewer studies on country of origin were available.

Methodology

Research context and Design:

India has seen a 25% annual growth when it comes to the luxury products industry. The number of HNI's increased by 21% since the last year. It is also forecasted that by 2025 India would become the fifth largest consumer market with an expected growth of 5% to 41%(Atwal; Khan 2008). There is seen an improvement in the socio-economic and political conditions of the country due to an accelerating pace of economic growth and the main reasons are-better distribution of wealth and buying power of consumers when it comes to luxury cars/products. On the other hand, the comparatively less number of the existing middle class populace believes that the present growth of luxury car industry is dominated by popular foreign brands and therefore, luxury is largely categorized to incorporate masstige brands. It is very hard to generalize foreign perceptions of luxury in the Indian context ignoring the effects of culture. Taking an example from the apparel market, Indian customers show preference for ethnic wear as well as a penchant towards western luxury outfits. Similarly in case of cars Indians have shown certain characteristics while making the purchase decision which is aimed to be explored by this study. The main reasons being the shortage of theorized comprehensions about perceptions of luxury car market in India against the backdrop of conventional customer mentality and cultural perspectives motivated me for a flexible and open approach to the research objective. As such, this study is based on interpretive viewpoint, in that present theories

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direct the research and the phenomenon of interest in the data to offer the foundation for theory testing and improvement.

Particularly, this study includes personal interview techniques in person and telephonic both, to develop thorough knowledge and recognize consumer perceptions of luxury cars. The data was collected from three major cities in India: Delhi, Mumbai and Chandigarh. The reason for choosing these particular geographical locations is that they are well apart from each other, have different cultures and even religions and thus reflects India's diversity. Delhi and Mumbai being the major cities where one can without difficulty purchase luxury cars. Chandigarh was chosen because of the fact that it has one of the highest per capita incomes in India and thus, is a home of many millionaires too. These three cities would offer contrasting differences of luxury cars ranging from foreign luxury car brands to Indian produced luxury cars. Any differences or missing dimensions during the analysis would be reduced due to the choice of such different cities. Two criteria which were followed during data collection were that the respondents should have an annual income between US \$5, 000 to US \$ 20, 000. The other one was that they should be at managerial levels in the company or degree holders. As the cost of living and prices of goods in India are relatively low than developed countries so the average income considered may be low if compared. Qualitative techniques were used to analyze the data. The three cities provided a wide coverage of the ' city' based population in India. City based populations are expected to be exposed to international brands and patterns of luxury spending for the purpose of this particular research.

English was the medium used for interviewing so as to reduce the

misrepresentation of meanings during translation. Due to a large scope of sub cultures in the three cities they were not considered while studying the behavior pattern of consumers while purchasing a luxury automobile. Some definitive constructs were followed and probed upon while interviewing:

Individual and psychological factors- The respondents were mainly probed on

Conspicuousness- if the product is obvious or noticeable, affordable or is expensive, if the item is for ' wealthy' or for ' well-off' people.

Exclusivity- if the product is valuable or precious, if the product is fairly exclusive or highly exclusive, if it is rare or uncommon similarly if it is unique or unusual.

Superiority - if the product is referred to as crafted or manufactured, if its luxurious or up market, if its superior or better, if its best quality or better quality or good quality.

Hedonism -if it is glamorous or attractive if it is stunning or memorable and if it is exquisite or tasteful.

Extended self- if the product is very powerful or fairly powerful, if it is rewarding or pleasing, if it is well regarded or successful, if it is leading or influential.

National cultural factors- The respondents were mainly probed on

Power distance- Capacity or degree of acceptable societal attributes like status, talent, wealth. The individualism or collectivism which also represents the degree of distance in social relationships.

Masculinity or feminist

The level of uneasiness with the unsure future or the uncertainty of avoidance.

Short term and long term course that is the ordering of relationships by offerings, favoritism and reverence for tradition.

The Global customer culture- The respondents were mainly probed on Conformity to spending trend, the quality perception in mind of the consumer and social prestige attached with the product i. e. if it goes with their lifestyle, if it is a symbol of their status and trendy image. There are also these six parameters, as mentioned earlier, that are under investigation namely - product assessment, approach towards the product, willingness to pay for the product, image of the COO, ethnocentrism and consumer animosity. A questionnaire in the form of a survey is prepared keeping all these constructs in mind and the respondents answers are measured on the top of the mind recall, emotions associated with the choice and carefully decoding and linking the answers.

Product Assessment:

The assessment of the foreign product shows the overall cognitive judgment of the product by the consumer the questionnaire contains questions

pertaining to six important features of a luxury product which the consumers might link to the country of origin and thus were generally probed on -

Fine workmanship and carefully produced

Relative quality (inter-nation)

Better use of color and design

High degree of technological advancements.

Reliable and long lasting

Good value for money

Approach towards the Product:

The answers were carefully assessed to analyze the general attitude of the respondents towards the product and the discussions were converted into bipolar adjectives like pleasant /unpleasant, favorable/unfavorable, good/bad etc to have a better understanding.

Willingness to pay:

Questions relating to the capacity and willingness of the respondents, to pay for a luxury product from a specific country of origin in correspondence to the same product category from different country of origin, were asked. The respondents were assessed on the following points-

Preference for any specific country of origin

Any guilt feelings associated with purchase from a specific country.

Any excluded COO (avoid purchase)

Understanding the capacity to pay extra premium for specific nation's product.

Image of the Country-of-Origin:

One of the most important domains of the study was to analyze the brand image of the country to which the product belongs. To decode the belief and trust of consumers' in that particular country's industrial advancements and technological developments, finally the concept of preferred interaction reflects customer's' readiness to build close economic ties with the target country. The major points, on which respondents were probed, were:

If the respondents think the country is rich or poor

The level of education as perceived by them

Technological advancements/ not technological advanced

Trustworthy or non trustworthy

Diligent or not diligent

Likeable or not likeable

Should or should not have close ties with which foreign countries

Ideal nation or not ideal nation

Would they welcome investments from a specific foreign country?

Customer Ethnocentrism:

It is the response that the purchase of foreign goods is unpatriotic, inapt or morally wrong due to its injurious effects on the domestic economy and causes domestic job losses. The respondents were mainly probed on the following:

Indian products first, last and foremost

Buying foreign made cars is un-Indian

It's wrong to buy foreign cars because it puts Indian out of jobs

A true Indian should always buy Indian-made cars

It might not work in the long run but we have to buy Indian cars

Buy Indian cars, keep India working.

Regulations on import of foreign luxury cars

Indians should always buy Indian made cars instead of imports.

Foreign car companies should be taxed heavily to reduce their entry in India.

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Animosity:

It is referred to as the customer's aversion towards a specific foreign nation that is related to any past experience i. e. military, political or otherwise. The

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respondents were probed on general animosity, economic animosity, war animosity. War animosity gauges customer's condescension towards a particular country due to previous or current military tiffs between the nations. In some studies of Chinese customer's animosity towards the Japanese, they particularly devised the war animosity probing using the Nanjing massacre of 1930's wherein the Japanese troops were accountable for the termination of three lakh Chinese civilians. The authors established that the Chinese customers carry on having immense anger towards the Japanese for this act of violence and several decline to purchase Japanese products, in spite of their overall positive assessment of these products. Similarly the respondents were probed on the following:

Reasons for the country they dislike

Anger feeling against any country

' Likeness' for a certain country

Countries which are perceived to be good trading partners

Countries which want to gain economic power over India

Countries which are taking advantages of India

Countries which have too much influence on India

Countries doing unfair business with India

India's relation with China, Germany, Japan, Europe and its impact on the purchase decisions.

In order to invoke participant's feelings and perceptions about foreign car brands and global trends in luxury car consumption two flipcharts showing fashionable luxury car brands were shown (e. g. Audi, BMW, Mercedes, Honda CRV). Thorough interviews were done which went on for 20-30 minutes it was digitally recorded with prior permission from the participant and notes were taken to assist capture details and particular reactions in body language as in the self-confidence portrayed through seating stance and eye contact. The one on one interviews allowed me to probe and study evidence of behavioral and psychological factors that manipulate perceptions of luxury cars and lead to purchase. For the respondents who were unable to meet on one on one basis, the option of a telephone interview was kept open. The flexibility was rendered obligatory to meet budget limitations and the time required to carry out one on one interviews with respondents situated in three different cities. While the aptness of these two interview methods rests on the nature and sensitivity of the issue under study, it can be seen that the coverage of relatively clear-cut questions as contrasting to complex questions would not affect the use of two dissimilar interview methods to produce reliable answers. Moreover, the draw on of different interview methods can facilitate counter the disadvantages intrinsic in a particular study technique (Mallhotra 2007).

Data analysis

The actual interviews were first acknowledged, followed by removal of irrelevant information and categorization based on study questions.

Respondent's responses, together with observed reactions from one-on-one interaction and tone of voice (e. g., higher prominence) in telephonic

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interviews were carefully observed. This helped me to differentiate and split the significance of luxury meanings, in case of an automobile, as believed by the participants. The investigation noted rate of appearance and repetition of keywords like 'prestige', 'social status' and 'image' which were used by the respondents in the content for their answers. Patterns and evolving themes from the data were explored for new insights which were unknown by the industry. These analyses were the basis for identifying effect of foreign luxury car industry on the Indian consumer.

General Findings:

The analysis suggests, that Indian customers in the three cities are influenced by social demonstration and position associated to luxury assets.

One respondent said "When it comes to the upper class, many people in India define themselves by luxury. The middle class, even the lower class wants luxury. A good way to put it would be what I am what I've got."

Another respondent commented, "We distinguish ourselves from others when we purchase luxury and it is a means to demonstrate you are affluent and thriving." It also points out that luxury consumption conveys certain distinctiveness through corresponding symbolic representations of luxury with consumption. One said "Luxury is about accomplishments, achievements, status symbol or image. Luxury gives me sensation of success and accomplishment in life". This distinctiveness is linked with individual values of affluence, position and socio-economic achievement derived from luxury consumption. In this regard, consumer perceptions of luxury are susceptible to reference groups. One respondent from Chandigarh said "People especially in Delhi define themselves by what car they buy or

how many cars they buy; there are more cars than the total number of people in the household". There is heavy psychological control of reference groups like Bollywood celebs, global superstars, cultural customs and traditions. According to one respondent, " I think it is natural fixation for Indians to follow the trends set by Bollywood stars, every Shahrukh Khan fan wants to buy a car which Shahrukh has, and this is same for many other fans." Another respondent said " Luxury is being seen in latest fashion and lifestyle specially the automobile which they drive, like Bollywood celebrities." With the advent of luxury magazines in the country, the upper middle class has been supplied with enough information to stimulate an action of buying a luxury automobile. They know what exactly their ' idol' is wearing or driving. One of the respondents from Chandigarh commented " Luxury would be having all my clothes designed by Versace, Italian shoes like those which were worn by Aishwarya Rai in the Cannes Film festival last year and LVMH bags like Katrina has" . Both national and western sources influence opinion of luxury constantly by reinforcing believed social acknowledgment and image of luxury car ownership. It was also found that foreign luxury cars may boost social status by material exhibit of affluence; Indian consumers hold on to traditional styles and mix them with Western styles. This exclusive recipe of personal style is influenced by Indian culture with perceived uniqueness and the social category of foreign luxury commodities like cars. Thus, the extended-self of luxury utilization through style, class and brand image are also features of soothing comfort and the feel good factor which the buyer experiences in case of making a decision while purchasing a luxury car. The purchase of a luxury car fulfils the desired

distinctiveness and non-functional domains of sentiments in relation to their consumption pertaining to pleasure.