CHAPTER 1

Introduction
CHAPTER 1
Introduction

1.1 Introduction

During independence, the population of India was nearly 36 crores. The mobility and transportation requirement was relatively less. Major means of public transport like horse cart, bullock-cart, bicycle, train etc. were not the means of fast transport and also were not the requirement of those days. Only some high income people were having private vehicles like car. Some higher middle class and persons in the lower strata of rich people started using scooters in 1950s. Middle class and poor people were using bicycles for their transportation requirements. As the infrastructure was very poor in the country, public transportation was also a bottleneck.

Literacy level in India was also less during that time. Due to some steps taken by the Indian government, literacy level went up which lead to a better income which in turn enhanced the purchasing power of people. This played a major role in economic development of India. Also, the population was growing at quite high rate. In addition, due to the industrialization, people started migrating from rural areas to urban areas. This resulted in expansion of the boundaries of the cities, which made people to travel longer distances compared to earlier ones. An efficient public transportation, therefore, became inevitable. However, city municipalities could not cope up with the ever increasing demand of the public transportation. Hence, people started searching for the faster mode of transport to reach their destinations. In 1970s, public transport was trying to meet the demand of the people. Bicycle was the most preferred two-wheeler due to low maintenance cost and ease of use. But, the main problem with bicycle was its slow speed. During that time, two-wheelers like scooters and motorcycles were existing. But, the purchasing process was not so easy. People were required to book the vehicle first and
after many years, they were getting the delivery of the vehicle. The private transport was in shortage due to the government policies of not granting permission to increase the production facilities of the existing car and scooter manufacturers or allowing new players to enter. The public at large, therefore, was not able to fulfil their desire of own transport, which should be speedy as well as affordable. This was the situation till early 1990s. Two-wheeler industry in India was not permitted to expand and hence the sales were limited, and the growth was not substantial.

The two-wheeler industry in India has grown rapidly since the announcement of liberalization in 1991 by the then Finance Minister Dr. Manmohan Singh. After liberalization automobile industry, especially two-wheeler sector started showing upward trend with respect to growth. Previously, there were only a handful of two-wheeler models available in the country. But after liberalization, number of companies introduced two-wheelers in India. Even, the customers also increased because of the easy procedure of purchase. Owning a two-wheeler was not just the necessity, but became a trend over the years. This trend of owning two-wheelers was due to variety of facts peculiar to India. One of the chief factors was limited public transport in many parts of India. Additionally, two-wheelers offered a great deal of convenience and mobility for the Indian family. For the two-wheelers, driving was also not a big problem as with four wheelers. The feeling of freedom and being one with the nature was experienced by riding a two wheeler. Indians preferred two wheelers because of their manageable size leading to easy manoeuvring of the vehicle on the road, low maintenance, affordable prices, and easy loan repayments. Indian streets started flooding with people of all age groups riding a two wheeler. Motorized two wheelers were seen as a symbol of status by the populace.

Liberalization, urbanization and increased personal transport requirements were the major sources of growth for two-wheeler industry in India. Currently,
India is the second largest producer of two-wheelers in the world\(^1\). In the year 2005-2006, the annual production of two-wheelers in India stood at around 7600801 units\(^2\). Just few years back in India, the two-wheeler market was dominated by mopeds and scooters. But, now days, two-wheeler industry is dominated by motorcycles. Though mopeds and scooters satisfy the transportation needs of the customers, there is an increasing demand for the motorcycles from the people of all economic strata because of their performance and attributes like fuel efficiency, style, low maintenance cost, durability etc. The sales of the motorcycle have drastically increased in comparison with other two-wheelers all over the country. According to a study conducted by Global Consulting Firm, Frost and Sullivan\(^3\); the two-wheeler industry is the fastest growing segment of the automobile industry. Also the study said that of all personnel transport vehicles, the motorcycle segment would grow faster, followed by passenger cars. All these developments and facts have made two-wheeler industry one of the core industries in Indian economy. Currently, a large number of Indian and foreign companies are operating in this industry.

From 1996-97 onwards, the Indian market for motorcycles has shifted in its top gear from the traditional marketing to a new paradigm. With changes in the global economy, the product image and the brand preferences of Indian consumers has changed from the traditional model of loyalty to that of new model of sheer value. In many cases, price has become the main reason for choosing one brand over another. Still, the demarcation lines between all products in today’s motorcycle market in terms of style, features and fuel efficiency levels are becoming thinner. For two-wheeler companies, the motorcycle segment has become the main profit area. In motorcycle segment,

\(^{1}\) http://www.content4reprint.com/cars-and-trucks/motorcycles/the-two-wheeler-industry-in-india.htm accessed on 02/04/2009
\(^{3}\) http://www.domain-b.com/industry/automobiles/two_three_wheelers/20030605_survey.html accessed on 25/03/2008
there is a strong competition, each one trying to grab market share of others. Stronger the competition, customers are more benefited. All benefits of the competition go to the customers in the form of benefits like reduced price, easy instalments, exchange offers etc.

Today, a very powerful driver of any business is very similar to Murphy’s first law of business – “Every customer has a choice”. In India also customer can no longer be taken for granted. He will no longer be contended with an average service. He is aware of the fact that he is being charged for every little job and thus expects top quality treatment. Thus, if he feels that his well being is not being taken care of, he may look out for other options. So, today the customer is considered as a king in two- wheeler industry.

Competition within the motorcycle industry is continuously increasing. Changes in the competitive environment and increasing customer expectations regarding product quality and customer satisfaction are driving motorcycle manufacturers to place a greater amount of emphasis on understanding customer attitudes and behaviour in order to maintain and grow market share and profitability.

In rural areas also, people are very becoming aware of their rights and their importance as a customer. Customers have become smarter, more price conscious, more demanding, less forgiving and are approached by more competitors with equal or better offers. Convincing new millennium customers is not easy. Companies have to spend huge amount to convince and satisfy new as well as current customers.

For any organization customers are its lifeblood. Here good relationship with customers is considered as a valuable asset. Customer acquisition and retention are the two most important issues facing the business today. In this industry, a company always requires clear and regular view of customer
perception and need. In current economic condition, one can’t afford to lose touch with the customers.

Study of consumers’ behaviour and satisfaction level are important because consumer satisfaction is a proven driver of share price and customer life time value. Study of consumers reveals vital information about its perception of company, its quality of service and helps to know about the circumstances that give rise to those levels of satisfaction.

From the population point of view, India is the second largest country of the world after China. The sales of two-wheelers have showed the increasing trend and the rate of sales largely increased since last decade. In developing country like India, the attractiveness of two-wheelers especially motorcycle increased because of poor road conditions across the country, rising population, increase in disposable income of middle class, style etc. As scales and competition in motorcycle segment is increasing, study of consumers’ behaviour has become crucial.

1.2 Consumer Behaviour – A Conceptual Framework

All the people on the earth are consumers. People consume things of daily use; they also consume and buy these products according to their needs, preferences and buying power. These can be consumable goods, durable goods, specialty goods, industrial goods or any services. Buying of any product depends on one’s perception, self concept, social and cultural background, age and family cycle, attitudes, beliefs, values, motivation, personality, social class and many other factors that are both internal and external to customer. While buying, people also consider whether to buy or not to buy and, from which source or seller to buy. In some societies there is a lot of affluence and, these societies can afford to buy in greater quantities and at shorter intervals. In poor societies, the consumer can barely meet his barest needs.
Understanding the buying behaviour of target market is the essential task of marketing managers under marketing concept\textsuperscript{4}. But the study of consumer behaviour is the most dynamic of all the marketing activities as the consumer preferences rapidly change and are affected by multiplicity of factors at a given point of time which are difficult to analyze. Therefore, it is necessary to continuously study, analyze and understand it and monitor this understanding of consumer behaviour so that effective decisions can be taken in respect of product’s price, promotion and distribution. A marketer who understands how consumer will respond to different product features, prices, advertising appeal etc. will have an enormous advantage over competitors.

A buyer is influenced by the social environment, in which he/she lives – his family, friends, colleagues, neighbours, society etc. Every component of his social environment leaves an imprint on him and influences his buying behaviour\textsuperscript{5}.

Consumer behaviour focuses on how individual make decisions to spend their available resources (time, money, efforts) on consumption related items. That includes what they buy, why they buy it, when they buy it, from where they buy it, how often they buy it, how often they use it, how they evaluate it after purchase and the impact of such evaluations on future purchases, and how they dispose off it.

One "official" definition of consumer behaviour is "The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and/or services that they expect will satisfy their needs\textsuperscript{6}.” In other words, consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, use,

and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Management is the youngest of sciences and oldest of arts and consumer behaviour in management is a very young discipline. Prior to industrial revolution, marketers were operating in a sellers market and consumers would accept the goods and services offered by the manufacturers. However with the inset of industrial revolution the process of marketing has undergone tremendous changes with the marketing decision makers finding themselves removes from the direct contact with the ultimate consumer. This is why marketers have come to depend upon consumer behaviour studies for more information on the spending habits of the consumers. Research studies have also revealed that there is a multidisciplinary approach to the study of consumer behaviour. This discipline is a melding of all those bodies of knowledge concerned with human behaviour Economics, psychology, sociology, cultural anthropology, and socio-psychology. Understanding of the buyer behaviour will provide insight to the organizations how to go about planning and implementing various marketing programs.

The study of consumers helps firms and organizations improve their marketing strategies by understanding issues such as\(^7\):

- The psychology of how consumers think, feel, reason, and select between different alternatives (e.g., brands, products);
- The psychology of how the consumer is influenced by his or her environment (e.g., culture, family, signs, media);
- The behaviour of consumers while shopping or making other marketing decisions;
- Limitations in consumer knowledge or information processing abilities influence decisions and marketing outcome;

---

\(^7\) Lars Perner, “Consumer Behavior : The psychology of marketing”, taken from www.consumerpsychologist.com accessed on 29/04/2008
• How consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer;
• How marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.

This understanding plays major role in taking better marketing decisions as under:

• Position products to match the physical and social contexts of the consumption situation.
• Helps to understand the needs of a society and respond to the changing behaviour needs with new products and promotions.
• Develop and market products around needs triggered by consumer rituals.
• Locate the new market opportunities.
• Helps in choosing the market segments.
• Improves existing marketing activity.

In today’s market, customer is a big word and all classes of customers are getting their share of attention. Gone are the days when only high-end buyers would get the maximum of everything. Customer satisfaction research is primary function of any organization which gives utmost importance to customers. Understanding of customers and their characteristics properly is vital; it is almost fundamental to the success of any marketing plan. Understanding of consumers is important as it provides answers to many questions that help in understanding customers as well as their satisfaction state and provides one with quantum of data needed for an organization to improve and outwit its competitors.

Although consumer behaviour can not be precisely quantified and marketing decisions have to be based on probability, it is much wiser to try to ascertain
this behaviour and then take decisions rather than take them without any such efforts or understanding. The study of consumer behaviour is an application of findings from varied disciplines in the behavioural science but it is also a foundation for the disciplines involved with marketing strategy, financial planning, organizational behaviour and applied economic analysis. Apart from the type of goods and services produced, the study of consumer behaviour is also important to organizations involved in social welfare, political administration and other groups, charged with the responsibility of developing and maintaining a society.

One of the most important reasons for studying consumer behaviour is the significant role it plays in one's life. People spend much of their lives consuming economic products. Even before consuming, one spends much time in purchasing products from the market, in thinking, talking, seeing and hearing about them. From all this, it is seen that consumer behaviour is one of the most important parts of marketing discipline.

If these reasons are not sufficient for studying consumer behaviour there is still another. Sir Edmund Hillary, when asked why men climb mountains, is reported to have answered, “Because they are there”. Consumer behaviour should also be studied because it is there and won't go away.

1.3 Importance of the Study

In India, those who use private transportation, majority of them depend on two-wheelers due to convenience, less price compared to four wheelers, less running and maintenance cost etc. In the industry, a large number of Indian and foreign players are competing for the larger market share. They all focus on consumer psychology for providing the required features in two wheelers, for designing their advertisements, and for identifying better ways of communication to the customers. Hence, it is interesting and important to study the consumer expectations from two-wheelers particularly from the
consumers in motorcycle segment. This study tries to investigate various consumer demands and other related aspects. The study focuses on to identify the product characteristics (attributes & features) that influence purchase decision, to study the influence of pricing on purchase decision, to study the role of media and promotional activities in purchase decision. This study also tries to study the role of different reference groups in purchase decision making and the satisfaction level of current consumers with respect to different features of motorcycles.

This study will help in better understanding of behaviour of motorcycle users. The study may also help the motorcycle manufacturing organizations towards the future anticipated changes in the industry.

1.4 Chapter Plan

There are seven chapters in the thesis. After this first chapter of introduction, second chapter is on industry overview. The purpose of this chapter is to provide overview of the industry in which the study was undertaken. Third chapter is about review of literature related to the topic of the study. Fourth chapter discusses the detailed research methodology adopted for the study. In the fifth chapter, primary data obtained through the administration of questionnaire are analysed and from such analysed data interpretations are made. Various statistical tools like mean standard deviation, ‘t’ test, one way ANOVA with least significant difference analysis, Chi square and other non-parametric tests like factor analysis, cluster analysis, discriminant analysis, etc. have been used for analysis. Chapter six represent all the findings based on the data analysis. Finally, chapter seven is about conclusions and recommendations. In this chapter, limitations of the study and scope for further research are also given.