ABSTRACT

The history of Indian car industry dates as back as 1898 when the first car was seen on Indian streets. The de-licensing of auto industry in 1993 opened Indian markets to many companies like Daewoo, Telco and Hyundai, to tap the middle and premium end of Indian car industry. Competition started among car companies with new model launches. This sub segmentation of the small car segment created as a new B segment. The focus of every company was at the small car buyer which constituted about 40 million Indian middle class household which is reported as growing about 10 percent a year and is expected to grow to 65 million households by 2010. Price and value for money being its important considerations and it aspires for a car, an important purchase decision but within their means and reach, and the products segmented, targeted and positioned towards their needs, by the Indian Car Producers – The Small Cars. The three major car makers filling their needs being Maruti Udyog Ltd., Tata Motors and Hyundai Motor India Limited (HMIL).

It is estimated that by 2016, India would emerge as the world's seventh largest car producer contributing to the country's GDP from current levels to around 35% and further creating additional 25 million jobs as employment opportunities.

The Study Marketing Strategies in the Indian Car Industry with a Special Reference to Small car segment was defined to assess the competitive marketing scenario in the Indian small Car Industry. It proposed to study competition both at the macro level (competitive strategies of the firms) and at operational level, marketing strategies employed by small car companies for their B segment cars, in this industry.

Maruti Udyog Limited MUL, Hyundai Motors India Ltd. HMIL, and Tata Motors, who had a major share (more than 75%) in the entire market. They having attained the Industry learning curve and being important constituents of the industry were analyzed and compared.

The resulting design for the study, being defined by Porter's '5 Force Industry-Structure' model for analyzing the competitive advantage of Indian car industry. The final quest being, towards identifying the generic strategy adopted by the firm for differentiating itself in the highly competitive market towards gaining competitive advantage for themselves.

The study aimed at identifying the factors which are important towards affecting a purchase decision for a car brand and model. The nature of the research being descriptive cross-sectional research, aimed at getting the feedback from the intending buyers of Wagon R, Santro Xing and Indica. The study was carried out at Aligarh, Jamshedpur, Gurgaon, Pune and Chennai during the time period 2006-2007. The final sample consisted of 469 intending
prospective customers of the three brands of cars selected by judgmental area sampling method.

Suitability of both the consumer and executives questionnaires was ensured, by pre-testing the questionnaires on 50 consumers at Aligarh for the first and the regional sales managers and car dealers. Intending Buyers were identified as adult males and females planning to purchase a new Wagon R / Santro Xing / Indica in the next three to six months. The total number of items being nine with one having 2 sub parts (Annexure I). The questions were developed based on the primary research objectives, which aimed at identifying important aspects of consumer decision making in the Indian Car Industry’s most competitive Segment B. Since the primary aim was to assess how the consumer choice sets influence car purchase decision-making, a number of dimensions were determined on the basis of which questions were developed. The following two important dimensions have been considered, on whose basis the following hypothesis have been developed:

Perceived image of a car model and specific parameters that were valued by the consumer as important determinants for final car purchase were itemised and specific questions were developed for measuring them in the questionnaire.

As it was essential to carry out direct comparison on a one-to-one basis amongst the 3 car models under consideration. Hence one question was specifically included on number of parameters on the basis of which it was possible to carry out paired comparisons. After data collections, consumer questionnaires were scrutinized and analysis was carried out using various statistical tests including independent sample -t test and Chi square, Factor analysis, correlation regression and also stepwise multiple regression were the statistical tools used for analysis.

To explore the effect of the perceived factors influencing the purchase decision a descriptive cross sectional analysis comparing the three car models on a one to one basis for each factor was carried out. Null hypotheses were framed for comparing competing car brands on marketing strategy parameters and were tested statistically trying to explore the significant difference as evident from an intending buyer’s perspective.

$H_0$: There is no significant difference between perceived image parameters and intending car brand selection.

$H_0$: There is no significant difference between the means of variable “factors of differentiation for brand” compared between B segment car brands. (taking two car brands at a time).
The third set of null hypotheses were designed for identifying the interaction of Marketing Mix variables affecting car purchase.

\( H_0: \) There is no significant association between marketing mix considerations (comparing two at a time) towards car purchase intention.

From the primary study it was revealed that for majority of the car purchasers this being the first car hence qualifying B segment as an entry level car. Also a majority of the customers intended purchasing a Wagon R followed by a nearly equal number of Santro Xing and Tata Indica.

The findings for factor of time, for a car purchase decision, concluded that a majority planned to purchase within a month and that they had invested a serious amount of time towards information gathering from the different sources. The various source of information gathering put car dealers as the most important and vital information source after picking up information about the car from mass media sources like Radio, T.V. Newspaper/Magazines, car company and auto websites. The role of friends and relatives who had made a car purchase recently, was very valued towards deciding upon car selection.

The Indian car customer ranked comfortability, fuel efficiency and safety as three important parameters towards brand selection. The car which was comfortable to ride as well as to drive was an important factor for a car buyer. Since Indian customer is a very discerning buyer and is highly cost conscious, the best fuel efficiency offered translated the car as the highest value offering. Safety, being the paramount concern for the customer and his/ her family as the next parameter.

The outcomes of the Chi square test confirmed the significant association between factors which formed important purchase intention for a car brand. The dependent nature of the parameters that the customer considers as important for final car brand selection, also implies that Indian customer is interested in these three factors as vital for deciding on a car but the bundle of offering which go beyond the shortlisted car parameters and offered by car brands would only be value adding to customer delight in brand offering.

With significance value towards a brand offering comfortable ride, cabin space fuel efficiency and safety car manufacturers must integrate the following features their car design which acts as a brand differentiator.

The outcome of the hypotheses framed towards proposing significant association between the twelve factors and purchase intention for a car brand concluded manoeuvrability not as a
significant parameter for brand selection. But cabin space accounted for a significant factor for brand selection. The comfortable to ride, safety and fuel efficiency parameters for intending car brand selection was significant factor for differentiating between brands. It being concluded that big cars were synonymous with comfort, so the small car buyer looks for comfort, safety and fuel efficiency as a differentiating factor if offered in a small car. After sales service although an important consideration towards car purchase did not appear as a differentiating factor towards intending brand selection, neither did high technology, company image nor environment friendly as a brand differentiating parameter towards intending car brand selection.

The next set of questions probed intending brand decision by evaluating comparative strengths and weaknesses between car brands. A paired comparison, using independent t test, between the three cars, comparing two at a time, was done with respect to separating significant means from insignificant means of differences towards their selection criteria. The selection criteria were a list of marketing mix and image factors comprised of 11 statements and each brand was cross evaluated by respondents for each factor. A 5 point Likert scale (1-5) (very poor to very good) was applied towards rating the responses for each brand of car.

The results of the hypotheses comparing Wagon R and Indica, indicated that there existed significant difference between the means of variable “popularity” and “high technology” for the two car brands as the null hypothesis were rejected while for variables like “easy to drive”, “easy to maintain”, “sophisticated”, “attractive styling”, “spacious”, “fuel efficiency”, “value for money”, “environment friendly” and “sporty” variables the null hypothesis “failed to reject” indicating a non significant difference between the means of these variables towards selecting either Wagon R or Indica.

The results of the hypotheses comparing Santro and Indica, indicated that there existed significant difference between the means of variable “easy to drive”, “easy to maintain”, “sophisticated”, “attractive styling”, “spacious” and “sporty” for the two car brands as the null hypothesis were rejected while for variables like “popularity”, “fuel efficiency”, “value for money”, “environment friendly” and “high technology” variables the null hypothesis “failed to reject” indicating a non significant difference between the means of these variables towards selecting either Santro or Indica.

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It was found that since car purchase involved a large investment, bank or Car Company financing qualified as the most important source of car finance. The study identifies the major predictor variables affecting the small car purchase decision as the four factors extracted by Factor Analysis worked out to be the Marketing Mix strategy variables of Product, Place, Price and Promotion.

Correlation analysis revealed significant correlations existing between the Marketing Mix variables and consumer’s Car Purchase Intention. Also the significant roles these variables played in interacting with each other in shaping a customers car purchase intention was observed. Indicating that Price, Place and promotion consideration having a significant positive impact on the car brand towards car purchase intention.

Also a significant association between Price and Promotion consideration towards car purchase intention was observed in the study. Hence the importance of place and promotion consideration is strongly correlated towards car purchase intention.

The result of the stepwise multiple regression analysis gave the significant predictors affecting the intending purchase decision for a specific car brand as Place being at number one and having the highest effect towards intending car purchase decision among the other marketing mix variables. The Effect of Place i.e., Dealer’s importance was found highest towards influencing the intending car purchase decision taken by an intending purchaser of small car while selecting any of the car in the B category irrespective of the brand.

Promotion being the second important marketing mix element which is the communication for the consumer towards his purchase intention. Also the association between Place and Promotion being highly significant was observed from the findings of the study.

Wagon R needed to upgrade on its image, it had deficient in “Sporty” image with respect to Santro Xing which appealed to the youth. As Wagon R was trying to position as an entry level car for the youth and young working class professionals. It should develop a Sporty image to its product offering.
The car should also try to differentiate itself on "High Technology" it lost to Santro Xing and also to Indica V2 XETA on this parameter too translating to car buyers to opt for two "higher technology" car available as a competing brands within the B segment.

Wagon R also was also found less “Popular” in comparison to Indica . Indica needed to position itself as an “easy to drive” as it lags behind Santro and also on the parameter “easier to maintain” compared to Santro.

Indica’s image was observed having a lower rank than Santro for the differentiating parameters of “Styling”, “Sophisticated” and “Sporty” which is an image a young executive would look for in his entry level car.

Santro being favourably positioned in the B segment of small cars and was above Indica on all the observed differentiating parameters but was found deficient in comparison to Wagon R. While it was found that Wagon R was more “easy to maintain”, “fuel efficiency” and “high technology”, an important concern for the product engineering division, quality control department and Hyundai’s Dealer service network, all over the country. Hyundai Motors need to look at the improvements in its Product strategy to bridge the gap with Wagon R on these differentiating parameters.

Santro was also less on the “popularity”, “value for money” and “sporty” image parameters compared to Wagon R.

Moving from Brand related strategy upwards to marketing related Strategy, a general recommendation offered to all the small car manufacturing companies, that the most important marketing mix element which had the highest effect in shaping any customers intending car purchase decision was Place followed by Promotion.

Qualitative approach is used to study the second part of the study, exploring marketing strategy followed by small car manufacturers and competitive positioning within small car industry.

As all competing business employed a strategy to select a mix of market resources. Formulating such competitive strategies fundamentally involved recognizing relationship between elements of marketing mix (e.g., price, place, promotion and product quality), as well as assessing competitive and market conditions (i.e., industry structure). Marketing positioning thus aimed at creating and sustaining competitive advantages. It offered a competitive edge over ones rival in marketplace in cost, differentiation, and/or outcomes that result from these positional strategies. Price positioning indicating offering same products as
the competition but at a lower price. Similar is quality and service positioning too. A combination of price and quality/service level can be crucial to financial performance.

In the second part of the study we explore the marketing strategies which are followed by the three car manufacturers and try to understand their competitive positions within the Indian Car industry. Since the second part of the research tries to gain a deeper understanding of small car segment of the Indian car industry, and its questions are about basic issues of industry like CSFs, driving forces, marketing mix and generic strategies and not numerical and statistical issues, hence a qualitative approach was chosen for its analysis.

Face-to-face and telephone interviews with judgmental sampling was used to explore the marketing strategy followed by the 3 major small car manufacturers viz. Maruti, Hyundai and Tata. A systematic sampling of the top executives who were responsible towards taking part in shaping strategic decisions for the organizations at the three car manufacturers was done.

**Extracted research questions to be answered**

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The Car industry’s six major Driving forces as extracted out of experts opinion being, growth in Indian middle class, introduction of small car segment, government policy, role of technology and indigenization, infrastructure development, environmental concerns, and the Critical Success Factors being Suppliers, Manufacturing, Management Skills, Distribution and Marketing. To assess the relative importance of the critical success factors each items weighs were calculated. Suppliers had a weight of 0.32, followed by Manufacturing with
0.24. Third CSF was Management Skills with a weight of 0.17 followed by Distribution with 0.15 and Marketing with a weight of 0.12.

Marketing strategies, for B Segment small cars from the three car producers were also asked. The questions gave their Marketing Mix strategies.

Finally moving to Competitive Strategy at the Industry level it was recommended that all the competing car companies should opt for the Low Cost Differentiation Strategy as the Generic Marketing Strategy for Small Car Segment in the present status of Indian Car Industry scenario.

By 2014 Indian economic scenario, extrapolating the present trajectory forecast a GDP growth of 6.6% to 7% with inflation under control at 4.2%. A growth in the car industry achieving in producing about 2 million with a CAGR (Compounded Annual Growth Rate) of 11%. With a vehicle density of 50 P/V (people per vehicle). India shall achieve Mass motorization by 2014.

The result is Porter's five force framework with a few modifications showing a perfect static picture of the Indian car industry. The factors which change the competition structure are called Driving Forces. Six Driving Forces were identified by experts' consensus. Their effects have been identified on the competitive environment. Adding them to competitive and industry analysis framework.

The value chain was found to differ mostly by its primary activities as well as supportive ones. Since car being a technology driven product with constant wear and tear during its use, after sales services being as meaningful for the product as its initial designing and assembly or production. This gave the dealer network and service agencies as importance as engineering and production department or marketing departments. The very satisfaction towards service being a reason at times for a car brand being selected by an intending buyer.

Overall low cost leadership should be followed. While one company stated as Broad Differentiation. Meaning that this strategy is a powerful strategy approach in markets with many price-sensitive buyers especially in the B segment of small cars.

The analysis of the findings for this question was assimilated as Product strategy, Place strategy, Price strategy and Promotion strategy under individual Car Company. The objective of the study being to find the most optimum way in which car manufacturers positioned their cars and services in the minds of the customers, towards influencing them.