CHAPTER I

Chapter I
Introduction

The first chapter introduces the reader to the background of the researched area. This is followed by a discussion on the problem areas to provide a deeper understanding. The objectives of the study and hypotheses along with the design of the research are briefed at the end of this chapter.

1.1 *Introduction*

The automobile industry was formerly characterized by product orientation, while today the industry focuses on establishing long-term consumer relationship. However, the creation of long-term relationship is a difficult process in an industry distinguished by mass production. As a result of this, knowledge about consumers and a focus on their needs is considered to contribute to a car dealer's competitive advantage (Mittal & Lasser, 1998).

In comparison with other industries, where frequent consumer contacts usually face small purchasing volumes at each purchase, the automobile industry is characterized by just a few consumer contacts with large monetary value. The profit potential is large and each consumer is worth more than only the sales price of a car. Moreover, when a customer purchases a car the choice is carefully considered given the fact that it involves a large sum of money, and it is a decision that the consumer will live with for years. It is definitely a decision with high involvement, in comparison with convenience store image.

Effective relationship management, which encourages consumer brand loyalty in the long- term, is consequently a crucial activity within the automobile industry. When a corporation operating in the automobile industry loses a consumer to a competitor, this does not merely imply a loss of a consumer for that period but also losses of associated business with that consumer for the next few years. Due to the fact that the automobile industry is characterized by having consumers with major profit potential, corporations operating in this industry are probably eager to maintain consumer relationships and consequently focus on consumer satisfaction. Furthermore, due to the fact that this industry is well- known for having satisfied

consumers, corporations within this industry have probably developed consumer satisfaction programs.

1.2 *Statement of the Problem*

In today's fast-paced and increasingly competitive market, the bottom line of a firm's marketing strategies and tactics is to make profits and contribute to the growth of the company. Consumer satisfaction, quality and retention are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving consumer retention and maximizing share of consumers in view of the beneficial effects on the financial performance for the firm. Over the last decade automobile companies of all types and sizes have increasingly come to understand the importance of car users' satisfaction. It is far less costly to keep existing car users than it is to win new ones, and it is becoming accepted that there is a strong link between car users' satisfaction, consumer retention and profitability. For many automobile companies in the public sector consumer satisfaction will itself be the measure of success. Car users' satisfaction has therefore become the key operational goal for many automobile companies. They have invested heavily in improving performance in areas that make a strong contribution to car users' satisfaction, such as quality and consumer service.

1.3 *Need for the study*

Recent interpretations in the consumer domain now vouch satisfaction as a fulfillment response. Fulfillment implies that a consumption goal is known, as in basic motives of hunger, thirst, and safety. However, observers of human behavior understand that these and other goals can be and are frequently modified and updated in various ways. Thus, consumer researchers have moved away from the literal meaning of satisfaction and now pursue this concept as the consumer experiences and describe it. Having reached its product maturity stage, the automobile industry in Asia is now experiencing a renewed research and development effort, which is promoting intense competition. The automotive Industry in India is now working in terms of the dynamics of an open market. Many joint ventures have been set up in India with foreign collaboration, both technical and financial with leading global manufacturers. Also a very large number of joint ventures have been set up in the auto-components

sector and the pace is expected to pick up even further. The Government of India is keen to provide a suitable economic and business environment conducive to the success of the established and prospective foreign partnership ventures. As for the choice of this industry, it came first from lack of efficient academic researches, and secondly to review existing programs and create new marketing programs in the Iranian and Indian automobile markets, giving rise to the need for the study of consumer satisfaction in the automobile industry.

1.4 *Objectives of the Study*

Consumer satisfaction surveys cover the core issues important to the organization and Industry. They identify areas that necessitate improvement and can enhance the effectiveness of marketing strategies. At the same time, consumer satisfaction surveys can increase consumer loyalty by showing your consumers that you care about meeting their needs. The benefits of conducting **consumer satisfaction surveys** are significant and their impact can last long after the results are analyzed. The objectives of the study are:

I- To understand the most important dimensions of service quality that affect car users' satisfaction in India and Iran;

II- To study and improve the brand perception of car users in Iran and India;

III- To understand the expectations and requirements of Iranian and Indian car users;

IV- To explore the influence of advertising on car owners in Iran and India;

V- To focus on increasing car users' loyalty and build a long term relationship;

VI- To make suggestions based on the study.

1.5 *Hypotheses*

Satisfied consumers are repeat customers, and provide good word-of-mouth promotion for a firm's goods and services. Dissatisfied consumers tend to buy elsewhere and tell others about their negative experiences. Previous studies have provided some empirical support and theoretical backing for the notion that service quality, consumer satisfaction; brand, price, advertisement, and automobile features are likely to be associated to one other. We develop the following hypotheses and establish a research model accordingly:

Hypothesis 1: *The Service Quality dimensions have a more positive effect on Indian automobile consumers' satisfaction than Iranian automobile consumers.*

Hypothesis 2: *The Brand dimensions have a more positive effect on Iranian automobile consumers' satisfaction than Indian automobile consumers.*

Hypothesis 3: *The Price dimensions have a more positive effect on Indian automobile consumers' satisfaction than Iranian automobile consumers.*

Hypothesis 4: *The automobile's feature dimensions have a more positive effect on Iranian automobile consumers' satisfaction than Indian automobile consumers.*

Hypothesis 5: *The Advertising dimensions have a more positive effect on Indian automobile consumers' satisfaction than Iranian automobile consumers.*

1.6 *Research Methodology*

A distinct research is essential to know how to design the method. According to Yin (2003, P.3), the research strategy is the way of collecting and analyzing empirical evidence. Lekvall & Wahlbin (2001, P.209) define it as the technique used to make a conclusion from a study. The general setting of this study has already been set; hence the author has no possibility of controlling all behavioral events ending up showing a specific result. Survey is found to be a more appropriate approach in order to gain better understanding of the research area, especially quantitative study. The second dimension is with regard to the type of data used. Lekvall & Wahlbin (2001) separate among quantitative/ qualitative as primary/ secondary data respectively. In this, quantitative survey is used as data collection method. Since the aim of this study is classifying variables dimensions in the automobile market from the consumers' point of view, the main focus thus is car owners. A questionnaire was prepared to get an idea about the car owner's experiences and expectations in the automobile market. The questionnaire was distributed among Iranian and Indian car owners and about 400 persons out of 735 Iranian users and 400 out of 915 Indian users replied. A **survey** is a procedure used to collect primary data from individuals. The questionnaire was developed based on research questions and frame of reference. The logical structure of the questionnaire followed the order of independent variables dimension in the

frame of reference. For understanding the importance and satisfaction of each independent variables dimension, a 5-scale was used. Once we came up with the first draft of a questionnaire, twenty questionnaires were handed out to the Indian and Iranian users and they were asked whether the questions made sense to them and whether they were easy to understand. After modifying questions, the well-improved questionnaire was developed. Several steps were taken to ensure the validity of the study: (1) Data was collected from reliable sources; (2) Survey question were made based on literature review and frame of reference to ensure the validity of the result; (3) Questionnaires had been pre-tested on the respondents before starting the survey as it was tested on at least 20 persons. Cronbach's was used as an examination indicator to determine the reliability of the measurement scale after pilot test. The value of Cronbach's α is generally required to be over **0.7** and the calculated results were over **0.7** in 5 variables. We preferred to use a random sample (Cluster). The car users were picked randomly over a period of six months. Statistical analysis included T-test, correlation analysis and descriptive statistic. Overall, the data analysis was conducted using a general-purpose statistical package called SPSS.

1.7 *Limitation of the Study*

The research instruments are translated from English into Persian, and after the study the conclusion will be translated back into English again. Some deviation may occur in both validity and reliability due to the discrepancies in translation of the Persian & English languages.

1.8 *Research Design*

This section outlines how the thesis is structured:

First chapter: Introduction

In the first chapter, the background of the selected research area is presented along with some studies in Iran and India, need for the study, objectives of the study, hypotheses, methodology of the study, and limitation of the study. At the end, an outline of the thesis is given.

Second chapter: **Review of Literature**

This chapter intends to set the theoretical frame of the thesis by introducing the main areas needed to create the basis of our analysis, paving the way towards our main purpose.

Third Chapter: **Overview of the Automobile Industry**

The purpose of this chapter is to present to the reader the history of automobiles, historical industry development, and the automobile industry in Asia. The chapter includes a short background of the automobile industry in India, followed by a description of the Indian automobile market environment. Furthermore, the chapter intends to present the automobile industry in Iran and ends with the study of the role of consumer satisfaction in this industry.

Fourth Chapter: **Research Methodology**

A detailed idea about the research that will be conducted is presented in this chapter. This includes the purpose of the research, research approach, research strategy, sample selection method, and data collection method. Also, the tools and techniques of statistical analysis are introduced. At the end, validity and reliability issues are discussed followed by the quality standards of the research.

Fifth Chapter: **Analysis and Interpretation of Data**

This chapter presents data that has been collected through quantitative survey. At first, we give an overview of the sample population and after that the data is presented according to the research questions and the variables identified in the frame of reference. Thereafter, the outcome of the statistical analysis is presented and discussed.

Sixth chapter: **Summary of Findings and Suggestions**

Collected data has been presented in the pervious chapter. We present the findings of research according to analyzed data. Finally, we have the conclusion and a discussion about possible areas where future research could be conducted.