## Chapter 3

**AUTO MARKETING: THEORY AND PRACTICES**

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### Marketing Strategies adopted by Car Manufacturing Companies

1. Maruti Suzuki India Ltd.  
2. Hyundai  
3. Mahindra and Mahindra  
4. Tata Motors Ltd.  
5. Reva Electric Car Company  
7. General Motors India Pvt. Ltd.

### Macro Factor affecting Car Marketing in India

### Sales Promotion Strategies adopted by Car Manufacturers

1. Tata Motors’ Nano  
2. Hyundai offers petrol free  
3. Introductory offer for Maruti Swift  
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CHAPTER - 3

AUTO MARKETING: THEORY AND PRACTICES

Introduction:

The recent development in marketing thought, an information technology accompanied by a rapidly changing competitive environment and increasing globalization of business have brought drastic changes in the concept and strategies of business in general and marketing in particular. Many trends which are underway are destined to affect the changing nature and scope of marketing strategy. These changes, on the one hand, are bound to render obsolete many of the currently used marketing strategies which have driven the growth and development of marketing for decades and on the other hand are likely to change the attitude and approach of marketers towards formulation and implementation of marketing strategists. In this chapter an attempt has been made to examine the changing nature and scope of marketing strategies in a highly competitive market.

Nature and Scope of Marketing Strategy:

Marketing strategy attempts to describe how the resources will be created and utilized across market segments and product lines. A marketing strategy is a broad plan of action that shows how a firm deploys its strengths to meet the challenges and demands of a target market. In fact, such a strategy aims to match a firm’s marketing resources to overcome
resistance to the achievement of objectives. Thus, a marketing strategy entails such actions and activities of a firm that help in the identification and development of a target market. Though a marketing strategy fundamentally focuses on two prerequisites of a firm’s marketing performance, i.e. defining a specific target market towards which its efforts and resources will be directed and designing a market mix to meet the expectations of the target market, therefore, such a strategy is critical for an organization not only to gain competitive advantage but to remain relevant and competitive in the market. In fact, the firms seek competitive advantage through an effective marketing strategy that is capable of providing them success in the market. However, a marketer needs to respond to the competition by designing an appropriate marketing strategy capable of providing him an advantage over rivals. In this regards; one has to keep in mind that the strategy employed must not only provide the firm with competitive advantage but also enable it to sustain the same over a longer period.

Definitions:
1) “Marketing strategy is the complete and unbeatable plan, designed specifically for attaining the marketing objectives of the firm/ business unit.”
2) “A marketing strategy is a broad plan of action that shows how a firm deploys its strengths to meet the challenges and demands of a target market.”
3) According to Kenneth R. Andrews, strategy is “the pattern of decision in a company that determines and reveals its objectives, purposes and goals,
produces the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.”

4) According to James Brian Quinn, “Strategy is the pattern or plan that integrates an organization’s major goals policies and action sequences into a cohesive whole.”

5) Henry Mintzberg. He gives five definitions of strategy – “as plan, ploy, pattern, position and perspective.”

6) A strategic market definition could be everyone who might drink something to quench his or her thirst.

From the above definitions; it is very much clear that marketing strategy and its implementation is vital for company for its survival. There are many types of marketing strategies adopted by the companies. It has different approaches or rather it can be said that the strategy is designed and developed taking into account the objectives framed by the business houses. The general strategies which are adopted are given in the following paragraph below:
The Strategic Marketing Process:

All organizations whether large or small, public or private, profit or non-profit make attempt to define their marketing objectives and allocate resources to achieve them. In fact, there will be hardly any organization that may have achieved success without an explicitly started strategy for all functional areas in general and marketing in particular. To learn whether such strategies originate and how they are put into action, we need to examine carefully an essential aspect of a firm’s marketing strategic process. Such a process reflects the formalized efforts of a company to develop refine and implement actions to achieve its marketing objectives. Thus, the entire marketing strategic process leads to the formulation and implementation of a firm’s marketing strategy. Consequently strategic marketing process can be seen as consisting of two phases: strategy formulation and strategy implementation. However, a detailed and systematic study of the process leaves one in no doubt that this strategic process is explained in the following three major components:

- Strategic Direction
- Strategic Information
- Strategic Decision

The Strategic Direction:

The strategic direction determines the movement of an organization in terms of growth and prosperity. The strategic direction process begins with organizational rationale which explains the reasons for the existence of an organization. In fact, it portrays the rule that a society
expects from an organization for its welfare. The organizational rationale is followed by organizational mission that describes the path a firm selects to pursue in order to achieve the purpose.

Since mission statement provides thrust and direction to the organization and serves as the corner stone for a firm’s marketing strategy.

**The Strategic Information:**

The strategic information refers to the process that is concerned with the collection and analysis of information about the marketing environment in which a firm intends to operate. In fact, it calls for the study of information collected from both internal and external environments as well as to all levels of strategic direction components. A systematic attempt in this direction can help a marketing executive to find replies to the following questions:

- Where have we been?
- Where are we now?

For this purpose, marketing executives have to study both external environment as well as internal environment. The study of external environment in the context of these questions, in fact, enables a marketing executive to identify major opportunities and threats. However, it is important that an executive should understand the relationship between the firm’s past and current performance and external environment. Along with opportunities and threats, an executive needs to study the internal strengths and weaknesses of his organization in terms of all major capabilities and resources for which he has to find replies to the above-mentioned questions.
by examining the firm’s internal environment. Thus, strategic information enables a marketer to match organizational strengths and weaknesses with environmental opportunities and threats to determine the organization’s right niche. Many writers refer to this process as a SWOT analysis.

The Strategic Decision:

The strategic decision process involves four major steps: strategic alternatives development, strategic choice, strategic implementation, and strategic control. In the first instance the strategic decision process helps an executive in the development of various alternatives by finding answer to the following questions:

Where do we want to go?

Where should we go?

Where can we go?

The study of above mentioned questions enables a marketer to specify the means by which his mission and objectives can be accomplished. Thus, strategic alternative developments aim to identify the possible course of action technically referred to as strategies that enable a firm to accomplish its objectives. From a marketing perspective, a strategy is a comprehensive set of guidelines developed to aid firms in formulating a pragmatic marketing mix capable of meeting organizational objectives. Since a marketing strategy is a functional strategy, therefore, it has to be in tune with the organization’s grand strategy. Basically, there are two fundamental directions that an organization can take in pursuing its objectives, namely, (i) Growth—by
finding new ways to enhance firm’s performance, and (ii) Consolidation---by better managing the firm’s existing position in the market.

**Differentiation Strategy:**

Porter advocates that marketing cannot achieve success in the present competitive business unless they hold some sort of competitive differential advantage over their rivals. In recent years, much attention has been concentrated by the marketers to maintain distinctive competencies, a strength that is unique and that makes an organization superior to its competitors in the eyes of customers. Therefore, distinctive competencies can be exploited in gaining a competitive advantage. Of course, the distinctive competencies must be able to provide incremental value to the market offering when compared to the other offerings to the customers. Thus, a firm needs to use different sources of differentiation at different times to make the strategy meaningful and customer centric. The marketers have been using different sources of competencies at different times. For example: better quality, efficient distribution, research and development, better customer services, and brand image. However, in the past few years, marketers have realized the importance of strong relationships with customers and have been using it for this purpose. In the opinion of Thompson and Strickland (1999)7 “differentiation strategies work best in the markets where:

- There are many ways to differentiate the company’s offerings from that of rivals and many buyers perceive these differences as having value,
- Buyer needs and uses of the item or service are diverse,
• Few rival firms are following a similar differentiation approach,
• Technological change is fast-paced and competition revolves around evolving product features. ²

Although every marketer prefers to use differentiation strategy in order to gain competitive advantage, yet the strategy at times fails to bring the desired results because of the following reasons:

• To identify the sources of differentiation that are important for the customers and difficult for the competitors to copy is a difficult task,
• The differentiation may involve costs that may inflate prices.

Generally, people prefer to purchase low-priced products or services even though they have to forego some desirable features of the market offering,

• The competitive advantage gained by a firm through cost leadership strategy may be so effective that it may not be disturbed by the particular differentiation and
• Although differentiation may be noticeable yet it does not result in any incremental value for the customers in a firm’s market offering.

Focus Strategy:

Focus strategy as suggested by Porter (1985) is based upon the choice of a narrow competitive scope within an industry. By pursuing this strategy, a firm decides to focus on a particular market segment and tries to achieve its objectives by emerging the market leader in a niche market. The segment may be a group of customers, a geographical area, or a part of product or service line. In fact, the strategy is advocated on the rationale that a firm can be more effective and efficient by focusing its efforts to a small target. Thus,
the focus strategy calls for the segmentation of a market followed by formulation of the strategy for the segment(s). Accordingly, this strategy aims to engage either cost leadership strategy or differentiation strategy to a part or segment of a market. A cost focus strategy aims to lowering the prices by controlling costs in a narrow target market.

It is costly or difficult for multi-segment competitors to meet the specialized needs of the target market niche.

- No other rival is attempting to specialize in the same target segment,
- A firm does not have the resources or capabilities to go after a bigger piece of the total market,
- The industry has many different niches and segments, allowing a focuser to pick an attractive niche suited to its resource strengths and capabilities.

Despite the popularity of focus strategy among the business firms over last decade, it is not free from risk and uncertainty. There are several risks associated with the strategy and those are given below:

- By focusing on niche target, a firm may fail to enjoy the benefits of economy of scale that generally happens in case of broad target,
- With the passage of time, a particular differentiation may lose significance because of efforts put in by competitors who serve broader target to embellish their products.

The different strategies suggested by Porter’s generic model call for different organizational systems and capabilities. For example: “organizations with adequate resources and good controlling systems may
prefer to engage cost leadership and a firm with strong Research & Development facilities may get better results through differentiation strategy. Whereas a small firm with poor resources and inadequate Research & Development facilities may be better off by serving niche markets, therefore, will be more comfortable with focus strategy\textsuperscript{9}.

While identifying the resources and strengths, a firm needs to keep in mind the objectives likely to be attained from the strategy and the strengths of the competitors. However, an effective strategy calls for the study of a number of factors that have far-reaching impact on a firm’s decisions concerning with the designing and implementation of the strategy.

A few important among such factors are mentioned below:

- Intended outcome from the strategy,
- Nature and source(s) of existing competitive advantage,
- Firm’s existing status in the industry,
- Size of firm,
- Firm’s resources and capabilities,
- Marketing performance of the firm in the past,
- Level and intensity of competition,
- Risk involved,
- Existing marketing strategies.
The Business Strategy:

Business strategy deals with a firm’s single strategic business unit (SBU) a distinct business, with its own set of customers and competitors that can be managed relatively independently of other business within the organization. Such a strategy attempts to translate the general statements of directions at the corporate level into strategies for the individual divisions. By focusing on the synergy and distinctive competencies components, business strategy needs to help a firm to find answer to the questions like— ‘Which of our competencies meet the needs and expectations of the customers in its target market?’ Another important question about a firm’s competitive position—‘Given a firm’s particular product/market, how does it best compete?’ is also responded by the business strategy. For a firm that deals only in single business, corporate and business strategies are essentially the same. Thus, the corporate and business level distinction applies only to organizations with separate divisions that compete in different industries. Before formulating a business strategy, a firm has to compete in different industries. Before formulating a business strategy, a firm has to decide how to divide itself into SBUs. Once the SBUs are created, the next step in the formulation of business strategy:
The SBUs Objectives and Scope:

A) How resources should be allocated to its product-market entities and functional departments?

B) Which broad competitive strategy to pursue to build a sustainable competitive advantage in its product-markets?

The Functional Strategy:

Narrowing the scope, firms need to formulate strategies for their functional areas such as marketing, production, finance, human resource, research and development and these are essential to carry out their mission. Thus, a functional strategy focuses on action plans for managing a particular functional area within a business in a way that supports the other levels of strategy. Against this backdrop, a marketing strategy which focuses on the allocation of resources and coordination of marketing activities in order to achieve organization’s objectives by meeting the target market needs is essentially a functional strategy. A marketing strategy is always considered significant as it reflects strong functional competence that a firm can use as a strategic weapon in the market.

The three levels represent a logical separation of purpose and many smaller firms may not formally separate them. However, coordinating strategies across the three levels is crucial in maximizing strategic impact. It should also be noted that here is a great deal of interaction and interdependency among these three levels of strategy. Firms need to take
necessary measures to integrate the levels of strategy into a whole to accomplish their mission and objectives. Although these strategies appear to be developed sequentially, this is not really the case. “Strategy formulation at the corporate, business, and functional levels is an interactive and interwoven process. Thus, the three levels must be closely coordinated as part of the strategic management process”\textsuperscript{10}.

Thus, a marketing strategy is wider in its scope depending on how it is perceived and used by a firm’s management. By the knowledge of three types of strategies it can be concluded that it all depend on the objective, mission, vision, market condition and other environmental factors and the capacity of a firm as to which strategy should be implemented have rightly emphasise that for a well-developed strategy it must include the following components:

1) **Scope:** The scope of a marketing strategy refers to the number of market segments in which a firm intends to compete or the number of product lines it intends to deal in. It refers to the area of operation in which the company functions. The study of marketing strategy and its scope helps to understand the basic purpose and mission of an organization. The scope of a strategy not only helps an organization to coordinate its various activities and product-market but also responds to the important questions like: what a firm’s business is and what it should be.

2) **Goals and Objectives:** A workable marketing strategy must define an overall goal to be achieved. Infact, ithas to clearly define such desired levels
of accomplishment on one or more dimensions of performance such as sales growth, market share, customer base or profit contribution over specified time periods for each of those market segments in which company competes or products that it intends to sell.

3) **Resources Development:** Since every firm has limited resources to meet the growing demands of the business, therefore, their efficient utilization is prerequisite for its success. Thus, a firm’s strategy must provide a description of how the resources will be created and utilized across market segments and product lines. After all the strategy framed depends on the financial capacity of the firm. The firm has to adjust with the availability of funds.

4) **Identification of a Sustainable Competitive Advantage:** One of the important elements of a marketing strategy has to be the measures and the approaches a firm would use to compete in each market segments in which it operates. This component of the strategy focuses on important issues of the business like positioning and competitive advantage. To respond these issues, managers must examine the market opportunities in each market segment for each item of his firm’s product mix and the company’s distinctive competencies or strengths relatives to its competitors. The firm after deciding the strategy has to evaluate it in the market and if there is a fear it should have an alternative strategy.

5) **Synergy:** Synergy generally refers to the excess value that is created by business units working together than the value those same units create working independently. Thus, synergy exists when the firm’s business,
product-market, resources deployment, and competencies complement and reinforce one another.

**Product Life Cycle and Marketing Strategy:**

Product is a life blood of an organisation, it is a pivot on which the entire firm’s activity rotate. Product is a tangible/ intangible thing that goes into market with competitors and finds a road in the households of a customer. As a product has its own life cycle the strategy should be decided accordingly. In product life cycle the product passes through four stages. It cannot be predict that every product will go through all the stages of product life cycle. It depends upon the product and its capability. Usually the following strategy is adopted by the companies in different stages.

**Introduction State:**

The introduction stage starts when the new product is first distributed and made available for purchase. It takes time to fill the dealer pipelines and roll out the product in several markets; so sales growth is apt to be slow.

A rapid-skimming strategy consists of launching the new product at a high price and a high promotion level. The firm charges a high price in order to recover as much gross profit per unit as possible. It spends heavily on promotion to convince the market of the product’s merits even at the high price level. The high promotion acts to accelerate the rate of market penetration. This strategy makes sense under the following assumption:
(1) a large part of potential market is unaware of the product, (2) those who become aware are eager to have the product and able to pay the asking price; (3) the firm faces potential competition and wants to build up brand preference.

A slow-skimming strategy consists of launching the new product at a high price and low promotion. The purpose of the high price is to recover as much gross profit per unit as possible; and the low level of promotion keeps marketing expenses down. This combination is expected to skin a lot of profit from the market. This strategy makes sense when: (1) the market is limited in size; (2) most of the market is aware of the product; (3) buyers are willing to pay a high price; and (4) potential competition is not imminent.

A rapid-penetration strategy consists of launching the product at a low price and spending heavily on promotion. This strategy promises to bring about the fastest market penetration and the largest market share. This strategy makes sense when: (1) the market is large; (2) the market is unaware of the product; (3) most buyers are price sensitive; (4) there is strong potential competition; and (5) the company’s unit manufacturing costs fall with the scale of production and accumulated manufacturing experience.

A slow-penetration strategy consists of launching the new product at a low price and low level of promotion. The low price will encourage rapid product acceptance; and the company keeps its promotion costs down in order to realize more net profit. The company believes that
market demand is highly price elastic but minimally promotion elastic. This strategy makes sense when (1) the market is large; (2) the market is highly aware of the product; (3) the market is price sensitive; and (4) there is some potential competition. As far as the study of automobile is concern, it is observed that a company consider the slow skimming strategy and slow penetration strategy. The other two types of strategies will not make difference as in this segment each and every customer is aware. Usually the customer; before making a purchase decision goes through various information and the market is not unaware about the product.

**Growth Stage:**

The growth stage comes in market by a rapid climb in sales. The early adopters like the product, and middle-majority consumers start following their lead. New competitors enter the market, attracted by the opportunities for large-scale production and profit. They introduce new product features, and this further expands the market. The increased number of competitors leads to an increase in the number of distribution outlets, and factory sales jump just to fill the distribution pipeline.

Prices remain where they are or fall only slightly insofar as demand is increasing quite rapidly. Companies maintain their promotional expenditures at the same or at a slightly raised level to meet competition and continue educating the market. Sales rise much faster, causing a decline in the promotion-sales ratio.
Profits increase during this stage as promotion costs are spread over a larger volume, and unit manufacturing costs fall faster than price declines owning to the “experience-curve” effect.

**Marketing Strategies in the Growth Stage:**

During this stage, the firm uses several strategies to sustain market growth as long as possible:

- The firm improves product quality and adds new-product features and models,
- It enters new market segments,
- It enters new distribution channels,
- It shifts some advertising from building product awareness to bringing about product conviction and purchase,
- It lowers prices at the right time to attract the next layer of price-sensitive buyers.

The firm that pursues these market-expanding strategies is willing to create competitive position. But this improvement comes at additional cost. The firm in the growth stage faces a trade-off between high market share and high current profit. By spending a lot of money on product improvement, promotion, and distribution, it can capture a dominant position. It foregoes maximum current profit in hope of making it up in the next stage.
Maturity Stage:

At some print a product’s rate of sales growth will slow down, and the product will enter a stage of relative maturity. This stage normally lasts longer than the previous stages, and it poses formidable challenges to marketing management. Most products are in the maturity stage of the life cycle, and therefore most of marketing management deals with the mature product.

The slowdown in the rate of sales growth creates overcapacity in the industry. This overcapacity leads to intensified competition. Competitors engage more frequently in markdowns and off-list pricing. They increase their advertising and trade and consumer deals. They increase their Research and Development budgets to find better versions of the product. These steps mean some profit erosion. Some of the weaker competitors start dropping out. The industry eventually consists of well entrenched competitors whose basic drive is to gain competitive advantage.

Marketing Strategies adopted in the Maturity Stage:

Many companies give up on mature products, feeling there is little they can do. They think the best thing is to conserve their money and spend it on newer products in the development pipeline. This ignores the low success rate of new products and the high potential that many old products still have. Marketing managers should not ignore or passively defend aging products. A good offense is the best defense. Marketers
should systematically consider strategies of market, product, and marketing-mix modification.

**Marketing Strategies during the Decline Stage:**

A company faces number of tasks and decisions to handle its aging products. Identifying the weak products, the first task is to establish a system for identifying weak products, the following steps are involved:

- The company appoints a product-review committee with representatives from marketing, manufacturing, and finance,
- This committee develops a system for identifying weak products,
- The controller’s office supplies data for each product showing trends in market size, market share, prices, costs, and profit.

Even in the decline stage many companies continue producing the product with the intention of living in market. This is evident from the example “Hindustan Motors continue to produce Ambassador despite the product being at decline stage and the demand for passenger cars now shifted towards Tata Indica. It is doing so because it would like to harvest the brand value of Ambassador in the Indian market”\(^{21}\).

From this example we can mention that the car manufacturing companies in India are adopting various strategies to attract the customers and to win the market. The strategies adopted by the Indian car manufacturing companies and their area of focus are depicted in the following table:
Table No. 3.1

Marketing Strategies adopted by Car Manufacturing Companies:

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<th>Sr. No.</th>
<th>Company</th>
<th>Focus</th>
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<tr>
<td>1</td>
<td>Maruti Suzuki India Ltd.</td>
<td>Fuel efficiency</td>
</tr>
<tr>
<td>2</td>
<td>Hyundai Blue – Will</td>
<td>Eco-friendly hybrid car</td>
</tr>
<tr>
<td>3</td>
<td>Bajaj India</td>
<td>Next Generation Vehicle</td>
</tr>
<tr>
<td>4</td>
<td>Mahindra &amp; Mahindra</td>
<td>Electric Car</td>
</tr>
<tr>
<td>5</td>
<td>Hindustan Motors Ltd.</td>
<td>Duel Fuel</td>
</tr>
<tr>
<td>6</td>
<td>Tata Motors Ltd.</td>
<td>Electric-Hybrid Cars</td>
</tr>
<tr>
<td>7</td>
<td>Ashok Layland Ltd.</td>
<td>Progressive Low Emission Chissing</td>
</tr>
<tr>
<td>8</td>
<td>Reva Electric Car Company</td>
<td>Electric Car</td>
</tr>
<tr>
<td>9</td>
<td>Green Electric Vehicles Pvt. Ltd.</td>
<td>Saving Environment</td>
</tr>
<tr>
<td>10</td>
<td>General Motors Ind. Pvt. Ltd.</td>
<td>Electric Car</td>
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(Source: Compiled from Car India, Volume 5, Issue 009, April 2010)

From the above table it seems that some of the green marketing initiatives are undertaken by the companies in the Indian automobile sector. Their main focus is to pursue eco-friendly initiatives to foster long-term growth in the economy. The following discussion will throw more light on the efforts taken by the companies on green cars:

(1) **Maruti Suzuki India Ltd:**

Maruti Suzuki, India’s largest car maker is planning the launch of a green automobile on the Indian roads. Maruti claim that launching a new green car would be a significant step towards meeting the social
responsibility obligation. Suzuki Motor Corporation has been aiming to produce a fuel efficient small car, less than 100 grams of CO2 emission per km. Their expectation is that; this fuel efficient and environment – friendly car would attract customers both from within and outside the country.

(2) Hyundai:

All efforts are taken by Hyundai to save the environment and prevent global warming. Hyundai has presented its new concept that includes the plug in Hyundai Blue – Will, a hybrid car design. This car would have an electric engine in addition to a standard internal combustion engine. Hyundai people connote that petroleum resources are getting rapidly depleted and there is an urgent need for reducing consumption of the same.

(3) Mahindra and Mahindra:

Mahindra & Mahindra is now coming up with an electric car. It is expected to be available in the market very soon. M & M’s farm equipment division has come up with another ecological friendly marvel, i.e. India’s biodiesel tractor and fuel efficient and environment – friendly power car is based on micro hybrid technology – making commitment towards fuel conservation and a clean environment.

(4) Tata Motors Ltd.:

Tata Motors Ltd., one of the leading automobile manufacturing companies, takes a serious decision to get into a joint venture with Cummins Engine Company, USA. A revolutionary emission control technology was first
introduced by Tata in India. The company is now trying to get advance emission technology by investing in a testing lab. The company has manufactured the CNG version of buses, and has followed it up with a CNG version of its passenger car, the Indica. The Nano is more than a car for Tata Motors. The company is now planning to design electric and hybrid vehicles engine using the Nano platform.

(5) **Reva Electric Car Company:**

India’s unique two seater Reva Electric Car has shown its own contribution in the conservation of climate by introducing the next generation car. Sodium nickel chloride batteries are giving energy to this car with no emission and this car has become popular because of its eco-friendly feature.

(6) **Green Electric Vehicles Pvt. Ltd.:**

Green Electric Vehicles Pvt. Ltd., who is working one step ahead to conserve the resources, has now come up with an innovative battery operated electric bikes, and electric scooters. Company is very confident about its innovative and environment-friendly products. They claim that they are dedicated to save the environment.

(7) **General Motors India Pvt. Ltd.:**

General Motors in technological collaboration with Reva Electric Car Ltd., is about to launch the four door electric passenger car (E Spark) in coming days. They have already come out with an eco-friendly concept
vehicle which has solar panels built into the roof with unique features. The car would run on a hybrid electric engine fed by a hydrogen fuel cell.

In conclusion, it is to be stated that the Indian Automobile sector has started to realize the importance of green products and green marketing in order to save the environment. Now, it is need of the hour to increase the acceptability rate of this type of innovation. By adopting eco-friendly concept; the car manufacturers are getting success in the market. Many car manufacturers have implemented the use of environment protection equipment/machines and many are on the path of it. This results in busting the sales of cars. The table No. 3.2 given below indicates the facts and figures:
From the table given above; it is clear that Maruti Suzuki’s Alto brand is the most preferred brand in its segment, followed by Hyundai i-10. The other companies have also created good market but lag in marketing their brand and hence could not sale more.

**Macro Factors Affecting Car Marketing in India:**

Marketing is a concept which has to function in a given environment. Marketing is not the activity to be done in isolation. It has to take into consideration the raw material supplier, transporter, labour, official
staff, Government, customers, competitors and other stakeholders. The company in business have to consider all these aspects and function with an object to achieve its pre-determined goals. The environment, in which it is working, gives various opportunities and at the same time threats also. A business has to keep keen observation on the happenings. It has to grasp the opportunity and find solution(s) for threats. The car companies in India have to function in the environment which is narrated in the following table:

<table>
<thead>
<tr>
<th>Environmental factor</th>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Macro-environmental factor</td>
<td>There is political stability in the country, though the days of single party rule are over. Democratic form has taken firm roots. There is political consensus on pitching the growth targets at a high level. Socialist moorings of the past have disappeared. Economic reforms have come to stay. On the whole, the political environment is Investment friendly and enterprise supportive.</td>
<td>Since multiparty, coalition governments have become the order of the day, the policy environment lacks dynamism and boldness. Time and opportunities are often lost due to the constant demand for consensus among parties with differing ideologies.</td>
</tr>
<tr>
<td>Social Environment</td>
<td>Burgeoning middle class, Double Income, nuclear families with more disposable Income on the rise. Socially, they are upwardly mobile. Increased urbanisation. Major changes are</td>
<td>Rapid changes in consumption habits and lifestyles impose a degree of vulnerability on corporate.</td>
</tr>
<tr>
<td>Economic Environment</td>
<td>Economic reforms, liberalisation and globalisation carry good opportunities. Collaboration with foreign firms possible. FDI has also become easy. Big growth is taking place in services sector. Exchange rate and inflation are not too bothersome.</td>
<td>Liberalisation plus encouragement to foreign investment has made the passenger car industry highly competitive. All global players are here. One has to match them, otherwise, the game is up. Petroleum products are becoming more scarce and costly.</td>
</tr>
<tr>
<td>Technology Environment</td>
<td>Technology import has been liberalised. Within the country too, efforts are on at technology development. One can move up the technology ladder through right strategies.</td>
<td>Those who cannot compete in technology are vulnerable.</td>
</tr>
<tr>
<td>Natural Environment</td>
<td>Generally conducive. India being a major producer of steel, raw material is ensured.</td>
<td>Though availability of the main raw material – steel – is no problem, cost competitiveness is lacking; Productivity has to improve compared to international standards. A petroleum deficit country, it may impact the passenger car business.</td>
</tr>
<tr>
<td>Legal Environment</td>
<td>World recognises India’s system as</td>
<td>The legal process is rather slow. Labour law</td>
</tr>
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</table>
sound, fair and open. This is a great plus point for the international players; it will support inflow of foreign investment and MNCs commitment. being stringent, exit for entrepreneurs are difficult.

<table>
<thead>
<tr>
<th>2. Environmental factors specific to the industry The consumer/ Demand</th>
<th>Large consumer base; growing urban middle class. Increasing affluence; Double income families: aspirational life style; Two persons daily commuting for job will keep pushing up demand for personal transport, including cars. The wide choice available in cars, supported by easy facilities of hire-purchasing, has enhanced consumer interest. Consumers no longer see it as luxury, it has become a utility. Change in lifestyle and aspirations will support demand for passenger cars in the mid-price segment too. Demand is constantly on the rise, especially for small compact cars.</th>
<th>Consumes are becoming more choosy while buying cars. They look for styling, comfort, etc., in addition to fuel efficiency. Now that Indian buyers have seen variety, they wait for new models.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Industry/ Competition Demand will go up further when government policies, especially excise rates, help bring down prices of cars. A growth industry over the short as well as medium term. Though the industry is 50 years old, only now has it</td>
<td>The rapid change in the industry-structure consequent to liberalisation, (de-)licensing of the industry and permission of foreign investment) has taken away the protection enjoyed by the incumbent domestic players. For the new</td>
<td></td>
</tr>
</tbody>
</table>
entered the real growth phase. Now, it is poised for high growth phase. Now, it is poised for high growth. Industry attractiveness/profitability generally good in the medium term. Industry is gaining export orientation.

| Technology | Technology is in the hands of a few MNCs. The others will find the going tough. Now that the window to the world of technology has been opened, buyers are satisfied with nothing but the best. More investments and effort in technology and R&D are required on the part of every car maker. |
| Technology | Those who command the best technology have the scope to stay on top. People are keen to buy a well-designed and well-made car. |


Sales Promotion Strategies adopted by Car Manufacturers:

To attract the attention of the customers the car manufacturing companies have to implement various strategies. These strategies differ from company to company. It is to be noted that the car manufacturing companies apply different sales promotion strategies for different models and these strategies may change from time to time. Given below are some unique strategies adopted by the car manufacturers in India:

1) **Tata Motors’ Nano:** Tata Motors introduced its Nano and offer price is Rs 1 lakh. It is the result of the ‘challenge the cost/inflexion pricing
approach’. This product-price combination is expected to shake up the entire global auto market. To produce such a car Tata Motors had to bring out innovations in design, assembly, production process, equipment and materials. And above all, it had to commit itself to the business risks inherent in such ventures and even stake the companies’ prestige on the project. The company has launched this vehicle by taking due care of environment a norm which is one of the major factor on which Tata is marketing Nano.

2) **Hyundai offers Petrol free:** Soon after the petrol prices have been hiked in June 2008, Hyundai announced, ‘No petrol price for 6 months’. Hyundai takes the burden off your pocket by paying the increase in the petrol price on your behalf. All you need to do is buy a Hyundai Santro or i10. And you will be assured free-petrol coupons redeemable at your nearest petrol pump. So, go, drive your way to bumper savings. This offer by Hyundai was for a limited period. The company has paid petrol price according to the profession of customer.

3) **Introductory offer for Maruti Swift:** Maruti gave an introductory price offer for its Swift during the launch of the vehicle. The price was to be effective over a specific period and after the period; the price was to go up by a specific amount. Maruti made it clear in advance to the prospective buyers. The extent by which the price was to be increased subsequently (i.e. Rs. 10,000) was also fixed and made known in advance. It was a pricing strategy as well as a sales promotion strategy to tempt the buyers to ‘buy the car now’. In fact, through this move, the company was stressing its order book position. It was creating a backlog of orders before the production acquired...
steam. In the case of high value consumer durables, it made sense to gain sizeable orders in advance, especially when the vehicle was a new introduction and the prospects rather unknown. Hyundai, which has been positioning its Getz against the Swift, also unveiled a limited period invitation price for the Getz. In case of Maruti swift it receives an overwhelming response, this was an introductory strategy adopted by Maruti. Now swift is stable in the market and there is a cry for getting it. Today’s situation is that a customer has to wait for at list 6 months to get his dream car.

4) Car Makers Offers in Mix of Discount/Freebies to Boost Sales:

To get a good and sizable market share in the competitive market, the car manufacturers followed the following strategies:

Car makers have been offering a host of incentives like free audio systems, attractive discounts, interest-free loans, and free insurance.

In particular, when new launches fail to excite the customers, the car makers are forced to dole out extra discounts and freebies.

Zen Estilo entered with discounts up to Rs 40,000 and a special 6 per cent rate of interest on loans against the prevailing market rate of 13 per cent.

General Motors’ first compact car Spark launched with a free insurance cum cash savings that amounted to Rs 35,000.

Fiat offered gifts worth Rs 25,000 with its hatchback Polio Stile.
Mahindra-Renault's Logan announced with a discount package of Rs 40,000.

Corolla, Toyota offered free insurance and road tax. Total freebies; they offered amounting to Rs 1 lakh!

For the Fusion, Ford offered interest-free loan of Rs 5 lakh for three years. Alternately, the buyer paid cash down he could get a spot discount of Rs 40,000 from the dealer.

For the Ford Icon, company offered free insurance and free MP3 player.

General Motors gave its 'Tavera' buyers accessories package ranging from Rs 5,000 – Rs 20,000 free, based on the models. The 'Corsa' came with a 1-2-3 offer, one-year free insurance, two-year warranty and three-year free service.

To drive volumes in the last few days of a sluggish financial year (2003-04), Maruti came out with a comprehensive 'insurance cover' offer. Maruti offered, for those few days, a package called 'Triple Bonanza', which included a vehicle insurance cover for a year, a personal accident death insurance of Rs 2.5 lakhs and an insurance cover of Rs 10 lakhs to cover air accidents. Maruti tied up with Bajaj Allianz for the offer. It was free to all buyers of Maruti cars during the limited period.

A prospective customer of Maruti 800, for instance, could save Rs 8,700 through the Triple Bonanza. In another scheme, Maruti offered to all
its customers Rs 20,000 Loyalty Bonus for exchanging their existing Maruti car for the Versa through selected Maruti True Value dealers.

**Advertising of Automobiles:**

Advertisement plays a greater role in marketing compared to other tools of marketing communication. The significance of advertising is well realised by the ever increasing budget of advertisement investments in India companies. Advertising plays the communication’s role to the consumers. It can be said that with the help of advertisement it has become easier to the companies to attract the attention of mass customers. The Indian advertising industry is expected to grow by 13 per cent in 2010 to Rs 21,145 crorer. Right from the manufacturer of pin to plain everyone is spending on advertisement. As far as the automobile sector is concern there is also a huge investment done by these companies.

**The Meaning/ Definitions of Advertising:**

The terms advertising originates from the Latin word advert, which means to turn round. Advertising thus denotes the means employed to draw attention to an object or purpose. In the marketing context, advertising has been defined in various ways:

1) “Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.”\(^{12}\)
2) The Oxford dictionary defines advertising as “to make an announcement in a public place, describe or present goods publicly with a view to promoting sales.”

3) “An advertising goal is a specific communication task to be accomplished among a defined audience in a given period time.”

The expenditure incurred by automobile companies towards online advertisement is depicted in the following chart:

![Auto-Online Spends Chart]

(Source-Report on Online Advertisement 2010, Page No. 11, Published By: Dr Subho Ray, Mumbai)

“Display of advertising for the Auto industry has risen from Rs. 24 crores in 2008 to the current level of Rs. 39 crores for 2010. This is expected to reach Rs. 62 crores for 2011. In other words, there has been a growth of 63% over a period of 2 years. It is estimated that the Auto industry
spent Rs. 17 crores on Text ads in 2010 which is expected to grow by 65% and reach Rs. 28 crores for 2011.”\(^\text{15}\)

Maruti-Suzuki, Tata Motors and Mahindra & Mahindra have ventured into multi-channel media advertising and online and direct radio advertising to boost sales and capture consumer attention. The major reason behind the big investment is to attract the consumers and make the product familiar to them. Global auto majors have risen advertising spending by 76% during the third quarter of 2010 as Indian economy promises to grow by 8.5%. Maruti Suzuki India, one of the largest spender in the Indian visual media, has started a new campaign for its Dzire sedan in addition to the existing three — Zen Estilo, SX4, and fuel efficient products-currently on air.

“We have allocated around Rs 20 crore on our campaign strategy for December which is around 30% higher than other months this year. We are concentrating on the visual media to push sales in the last month of the year to clear the 2010 backlog,” Maruti’s chief general manager (marketing) Shashank Srivastava said.\(^\text{16}\)

Through a paid-form presentation, the advertiser intends to spread his ideas about his products/offerings among his customers and prospects. Popularity of the product is the basic aim of the advertising activity. As we are witnessing that there is a cut-throat competition amongst the car manufacturers in the world, and hence every company is considering advertisement as a weapon to get success in the market. For this purpose the companies take help of advertising agency, which creates advertise and
also suggest suitable strategies. The advertising strategies followed by the renowned automobile companies are narrated from the examples given below:

**Maruti’s advertising Strategies:**

Maruti Suzuki, the leading car company, has advertised its Maruti 800 for middle and low income groups. In one of the advertisements of Maruti 800, a kid is playing with a toy model of Maruti 800. He exclaims to his dad, when asked how long will he keep on running the car, “Papa kikaran, petrol khatam hi nahin honda” (the petrol tank never gets empty). The advertisement clearly conveys that the car just keeps going on and on. It ends with the voiceover telling the viewers that Maruti Suzuki is India’s most fuel-efficient car. Similarly, the ‘Rs 2,599’ campaign for the Maruti 800 not only directly conveys that the car can be bought at only Rs 2,599 per month. It also manages to connect with the aspirations of scooter owners who can upgrade to a car now.

**Volkswagen’s creative advertising Strategies:**

The Volkswagen Group of Germany entered into the Indian passenger car market in 2001 by launching its car brand – Skoda. Skoda was then an unknown brand in India, but was promoted successfully through well-executed advertisements.

One of the earliest television advertisements for Skoda showed a young couple, an elderly couple, a father and his young son, a
mother and daughter, sharing affectionate moments in the environs of their Skoda car. The ad ended and wishes the tagline “When You Build Cars with Love. It shows – obsessed with Quality since 1895”, thus building strong emotional connect and credibility for the brand. Another advertisement depicted a young man carrying his children, mother and wife in various contexts and the advertisement ended with the words “You need to be Well-Built to Carry Your Loved Ones...” Just recently, the television commercial advertisement for Skoda Laura, with the tagline “Drive the Car of Your Dream” also made a strong impact.

The Volkswagen Polo advertisement demonstrated the high ground clearance of the car in a humorous manner. A man drives his Polo with an ostrich egg between the wheels to check its ground clearance. As he steps out of the car to see if the egg is intact, he is chased by the angry mother ostrich and it seen running for his life. The voiceover says “Our engineers have rested its ground clearance. So you don’t need to.” The ad ends with the tagline “German Engineering – Made in India.”

Another unusual and cheeky advertisement showed a small boy going round admiring a vehicle displayed at a Volkswagen showroom and asking the salesperson to book a Beetle for his 18th birthday and a Jetta for his 24th. Another ad showed a valet paying the owner for the privilege of parking and Volkswagen Beetle. All these Volkswagen ads were executed by the advertising agency DDB Mudra.
To cap it all was the most innovative ‘talking ad’ for the Volkswagen Vento which came with various newspapers across India in September 2010. The newspapers carried a full-page advertisement, on which a small black audio device had been pasted. When the page was turned, the audio device began playing a recorded advertisement automatically and the audio played on repetitively in an endless loop until the page was closed. It is said that the total cost of this ad per newspaper (including the cost of the device and the advertising space) was around Rs. 40 and that Volkswagen spent approximately Rs. 5 crore on this campaign. The uniqueness of this advertisement generated much hype and publicity, thus providing added mileage. The recorded advertisement said, “Best in class German engineering is here. The new Volkswagen Vento built with great care and highly innovative features. Perhaps that’s why it breaks the heart of our engineers to watch it drive away.” The television commercial ad for Volkswagen Vento too was quite unique, and conveyed the same message. It showed a Volkswagen employee weeping when a Vento was driven away from the factory.

Thus, Volkswagen has consistently used highly creative advertisement as an important element of its marketing strategy in India.¹⁷
Pre-owned Car Market:

The Pre-owned car market refers to the sales and purchase of old cars. This market exists long back from the inception of car marketing not only in India but in the world market. The pre-owned car market is an unorganized market, which was handled by the agents/ brokers. This market is to be has got momentum in late 1990 where in this time people become materialistic. The sustainable rise in income and the socio-economic condition boost this situation. It is to be noted that in this the major role is played by the financial institutions. In other words it can be said as “tomorrow’s luxury has become today’s necessity” is found to be true in the present scenario. The very reason for this situation is that when a car is made available at such an affordable price, why not to buy it. To quote here is that this market has declined the market share of two wheeler segment up to a large extent. The Indian used car market is on a boom nowadays and is becoming popular day by day. Many people prefer used cars rather than brand new cars. “According to NCEAR survey: The survey finds that it is the farmers who bought maximum number of used cars and jeep in 2001-2002 which are 26 percent of the total market. The used car market is reportedly zooming by 90 percent in 2002-2003 and is slated to march past 9.5 lakh units against the 9 lakh in 2001-02. With used cars and jeep accounts for around a seventh of the total demand for such vehicles in 2001-2002, it’s hardly surprising that auto giants like Maruti and Hyundai have gone in for separate used car business called True Value and Car exchange respectively.
The demand for used goods is higher in rural market than urban market. Used cars are in great demand by percent of the total market. The used car market is reportedly zooming by a majority of people and therefore, it makes the business more established and promising. In this also customer satisfaction plays a vital role. You have to make your customer satisfied with the best of your services if you want to survive in the used articles market. Taking into consideration the need of the customers the renowned car manufacturers of India have come out with a mind-blowing strategy popularly known as pre-owned cars. The strategy or rational behind this is not to enter the second hand car market, but to give customer an opportunity to replace their existing car for a new one. This will automatically lead to increase the sales of the new car. The leading car companies who have realized this situation and have started dealing in pre-owned cars are depicted in the following table:
Table No. 3.4
Major-Players in Used Car Market in India

<table>
<thead>
<tr>
<th>VM Initiative</th>
<th>Brand Portfolio</th>
<th>Warranty Coverage</th>
<th>Presence</th>
<th>After-sales Service</th>
<th>Certification</th>
<th>Additional Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>True Value</td>
<td>Own</td>
<td>1 year/ 3 free services</td>
<td>233 outlets across 152 cities</td>
<td>✓</td>
<td>✓</td>
<td>Market leader with 45% share</td>
</tr>
<tr>
<td>First Choice</td>
<td>Multi-brands</td>
<td>1 year/ 3 free services</td>
<td>Across 12 states</td>
<td>✓</td>
<td>✓</td>
<td>One of the key players with 25% share</td>
</tr>
<tr>
<td>Advantage</td>
<td>Multi-brands</td>
<td>1 year/ 3 free services</td>
<td>At dealer’s will</td>
<td>✓</td>
<td>✓</td>
<td>Strong presence in South India</td>
</tr>
<tr>
<td>Auto Terrace</td>
<td>At dealer’s will</td>
<td>x</td>
<td>At dealer’s will</td>
<td>x</td>
<td>x</td>
<td>Organizes used cars &amp; exhibitions</td>
</tr>
<tr>
<td>Assured</td>
<td>Own</td>
<td>x</td>
<td>At dealer’s will</td>
<td>x</td>
<td>x</td>
<td>Sale through exchange schemes</td>
</tr>
<tr>
<td>Toyota U Trust</td>
<td>Multi-brands</td>
<td>Only for Toyota cars</td>
<td>Chennai, Bangalore, Delhi, Thane</td>
<td>✓</td>
<td>✓</td>
<td>Offers exchange for any old car for Toyota</td>
</tr>
</tbody>
</table>

The automobile giants such as Maruti came up with True Value, Mahindra & Mahindra with First Choice, Hyundai with Advantage, Honda-Auto Terrace, Ford-Assured and Toyota-U Trust. It is to be taken into account that these companies offer customer a best deal which is hardly impossible to get in the unorganized market. More over one who purchase the pre-owned car is not left in the name of God, but he/she is being provided by after sales service too.
References:


8) ibid, pp 195.


15) “Report on Online Advertisement 2010”, pp 11, Published by Dr. Subho Ray, Mumbai 400018.


# Chapter 4

CUSTOMER SATISFACTION: CLAIMS AND REALITIES

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