1.1 HISTORICAL PERSPECTIVE OF AUTOMOBILE INDUSTRY:

Transportation is the basic necessity of all human beings. The history of the automobile began 4100 years ago when the first wheel was used for transportation. The most primitive means of transportation for early humans were animals like bulls, oxen, horses, donkeys, etc, but as the human activities became more and more of laborious, the anxious and innovative minds of human beings invented wheeled carts, chariots and the like.

In the early 15th century Portuguese arrived in China, which led to the interaction between the cultures and invention of many new technologies including the creation of a wheel. By the 1600’s small steam powered engine models had been developed but it was another century before a full sized engine power vehicle was created. Further, the want of more carrying capacity, more speed and luxury propelled the invention of automobiles in 18th century. The first steam powered automobile capable of carrying people was butyl by Nicolas-Jospeh Cugnot in the year 1768 (Eckermann & Erik, 2001).

Subsequently, in 1807 the first internal combustion engine was developed by Francoise Issac de Rivaz followed by the invention of first petrol/gasoline run engines by Karl Benz (Eckermann & Erik, 2001). Many vehicle thereafter made their presence felt like
oil fired steam car in 1815 (Georgano, 1985), four seat steam in 1838 (Georgano, 1985), high wheeled steam buggy in 1865, liquid fuelled internal combustion engine by Seigfried Marcus in 1870, Marcus-II in 1883. It is universally acknowledged the older version of the automobiles which are prevalent now the “Internal Combustion Engines” was first invented by Karl Benz in 1886.

So far as advent of Automobiles in India is concern, the first car ran on Indian road in 1897 which was directly imported. The factual development of Indian automobile manufacturing started in the year by launching of Hindustan Motors in 1942 followed by Premier in 1944 followed by Mahindra and Mahindra in 1945 (Piplai, 2001). By 1950’s and 1960’s the growth components of Indian Auto sector was lull mainly because of license raj (Kamala and Doraiswamy, 2007). Up till the 1980’s the Indian Auto sector was majorly dominated by the local companies. But after 1986, in view of early partial liberalization, the international auto makers were allowed to invest in India, as the result of which auto makers like Suzuki, Toyota, Hyundai started their joint ventures with existing Indian automobile companies (Economic and Political Weekly). By 2000, India had 12 off shoot global automobile manufacturers. Since then the Indian automobile sector has tremendous growth on par with all the categories and sub categories scoring a place as one of the largest in the world. Cut to 2014 onwards, the Indian auto industry accounts to about 7.1% of the Indian GDP (IBEF). In FY April 2015 to January 2016 alone the total manufactured automobiles stands out to be 19.8 million vehicles, which included commercial vehicles, passenger vehicles, three wheelers and two wheelers (IBEF).

The production of all the types of vehicles is seen growing at an average rate of 3.90% year-on-year basis. This shows the huge demand for the automobiles in India. The
researcher has attempted to study the domestic potentiality and sales pattern in order to foreground the study in the succeeding chapters. The sales of the Passenger Vehicles in India grew by 8.13% in April 2015-January 2016. Within the Passenger Vehicles, Passenger Cars grew by 10.18%, during April 2015-January 2016 over April 2014-January 2015. The sales of Commercial Vehicles in India grew by 9.43% in April-January 2016 over April-January 2015. The sales of Medium & Heavy Commercial Vehicles grew by 30.19%.

So far as the market share bifurcate is concerned the passenger vehicles holds a maximum market share with 13%, followed by Commercial vehicles with 3%, Three wheelers with 3% and two wheelers with 81% market share. Referring to the Indian Brand Equity Foundation (IBEF), the Indian Auto sector is also a prominent auto exporter since 2005. In the financial year 2014-15 census 31% of the small cars sold globally are manufactured in India. In April 2015-January 2016, exports of Commercial Vehicles registered a growth of 18.36 per cent over April 2014-January 2015. Sensing this potentiality and growth in both domestic and international markets the Indian government has encouraged international investment in the form of FDI’s (Foreign Direct Investments) under the automatic route.

Hitherto the sector has attracted enough FDI’s and several auto makes and thri ancillaries have started investing in India. A total of US$ 14.32 billion worth of FDI has been attracted in a span of April 2000 to December 2015 (DIPP). Automotive Mission Plan (AMP) 2016-2026 prepared by SIAM and Government of India, the Indian automotive sector has the potential to generate annual revenue of US$ 300 billion by 2026, creating 65 million jobs and can contribute 12% to India’s GDP. Two-wheeler production is projected to rise from 18.5 million in FY15 to 34 million by FY20. Leading auto maker Maruti Suzuki expects Indian passenger car market to reach four million units by 2020, up from 1.97 million units in 2014-
15. Furthermore, passenger vehicle production is expected to increase to 10 million in FY20 from 3.2 million in FY15. The government aims to develop India as a global manufacturing as well as a research and development (R&D) hub. It has set up National Automotive Testing and R&D Infrastructure Project (NATRiP) centers as well as a National Automotive Board to act as facilitator between the government and the industry.

1.2 MAJOR AUTOMOBILE COMPANIES IN INDIA:

- **Tata Motors**

  Tata Motors is the largest automobile company of Asia headquartered in Mumbai, India. Annual Projected revenue for 2010-11 is US$ 27.629 billion. It also occupies the number one position in commercial car segment. Tata Motors enjoys 31.2% of market share in the multi-utility vehicles, which in luxury car segment, it has 6.4% market share. Most of the Tata Motors' vehicles are sold predominantly in India and over 4 million vehicles have been produced domestically within India. Tata sold 52,531 units of vehicles during September 2009, comparing to 49,647 units during September 2008 (a growth of 6%). In domestic market, Tata Motors sold 49,650 units during the same period, comparing to 45,234 units in September 2008.

- **Maruti Suzuki India Limited (MSIL)**

  Maruti Suzuki India is an undisputed leader in the Indian automobile industry. Started its journey in February 1981 as Maurti Udyog Limited, the company created history in the Indian automobile market with its hugely popular four-wheeler model Maruti 800. The company became the first Indian automobile company to manufacture one million vehicles in 1994. The company became Maruti Suzuki India Limited on September 17, 2007. Maruti's average revenue for the year ending 2010-11 is US$7.13 billion. Maruti sold 83,306 units of vehicles in September 2009, comparing to 71,000 units in the same month in the
previous year (with a growth rate of 17.3%). It also exported 11,712 units during September 2009, comparing to 6,318 units in the same month in the previous year (with a growth rate of 85.4%).

- **Mahindra & Mahindra Limited (M&M)**

  Mahindra &Mahindra Limited is another auto-giant in India. A part of the Mahindra Group, M&M is the largest SUV maker in the country. In September 2009, M&M registered a domestic sale of record 26,921 units, comparing to 22,729 units in September 2008 (with an increase of 18.4%). On the other hand, it sold 15,296 units of UV in the same period comparing to 10,641 units in September 2008 (with a whooping growth of 43.7%).

- **Honda Siel Cars India Limited (HSCI)**

  Honda Siel Cars India Limited, a joint venture between the Japanese auto giant Honda Motor Company Limited and the Indian company Siel Limited, started its operation in December 1995. In September 2009, HSCI sold 5,794 units, comparing to 3,104 units in September 2008 (with a growth rate of 86.7%).

- **Toyota Kirloskar Motor Private Limited (TKM)**

  Toyota Kirloskar Motor Private Limited is another top Indian automobile company. A joint venture between the Japanese auto giant Toyota Motor Corporation and Kirloskar Group, TKM has a number of car models including Innova, Corolla, Fortuner, Camry and the Land Cruiser Prado. It sold 7,657 units in December 2009.

- **Hindustan Motors**

  Hindustan Motors is another top automobile company in India. It was once country's largest car manufacturer before Maruti Udyog overpowered it. Its popular model 'Ambassador' has been extensively used as government limousine as well as taxi cab in India.
Besides a steady growth in India's fiscal system, the expansion of Indian middle class has also played a major role in drawing the attention of international auto manufacturers towards the Indian Automobile Market. Moreover, India is one nation which provides skilled workforce at cutthroat prices making itself a preferable manufacturing centre.

1.3 MAJOR INITIATIVES OF GOVERNMENT OF INDIA TO SUPPORT AUTOMOBILE SECTOR:

The Government of India has taken many initiatives to support the Indian Automobile Sector; some of them are listed below

- Government of India has made automobiles manufacturing as the main driver of ‘Make in India’ initiative, as it expects passenger vehicles market to triple to 9.4 million units by 2026

- Government has announced to provide credit of Rs 850,000 crore (US$ 124.71 billion) to farmers in the Union budget of 2015-16, which is expected to boost the tractors segment sales.

- Ministry of Road Transport, Highways & Shipping announced plans to set up a separate independent Department for Transports, which will comprise of experts from the automobile sector to resolve issues like - fuel technology, motor body specifications and fuel emissions, apart from exports.

- Government of India plans to promote eco-friendly cars in the country i.e. CNG based vehicle, hybrid vehicle, and electric vehicle and also made mandatory of 5 per cent ethanol blending in petrol.

- Government of India has formulated a Scheme for Faster Adoption and Manufacturing of Electric and Hybrid Vehicles in India, under the National Electric
Mobility Mission 2020 to encourage the progressive induction of reliable, affordable and efficient electric and hybrid vehicles in the country

- The Automobile Mission Plan for the period 2006–2016, designed by the Indian government is aimed to accelerating and sustaining growth in this sector

1.4 FOREIGN DIRECT INVESTMENTS IN AUTOMOBILE SECTOR:

The sector has attracted enough FDI’s and several auto makers and their ancillaries in India. A total of US$ 14.32 billion worth of FDI has been attracted in a span of April 2000 to December 2015 (Source: DIPP). Some of the most important investments and developments in the sector are listed below

- Honda Motorcycle and Scooter India (HMSI) has opened world’s largest scooter plant in Gujarat
- Ford has launched its iconic Ford Mustang in India and will make its debut in second quarter of FY2016. Also, Ford plans to manufacture two families of engines by 2017, a 2.2 litre diesel engine codenamed Panther, and a 1.2 litre petrol engine codenamed Dragon, which are expected to power 270,000 Ford vehicles globally in India
- Nissan Motor Co. Ltd is in discussion with Government of India to bring electric and hybrid technologies to India
- The world’s largest air bag suppliers Autoliv Inc, Takata Corp, TRW Automotive Inc and Toyoda Gosei Co are setting up plants and increasing capacity in India
- General Motors plans to invest US$ 1 billion in India by 2020, mainly to increase the capacity at the Talegaon plant in Maharashtra from 130,000 units a year to 220,000 by 2025
- US-based car maker Chrysler has planned to invest Rs 3,500 crore (US$ 513.5 million) in Maharashtra, to manufacture Jeep Grand Cherokee model
- Mercedes Benz has decided to manufacture the GLA SUV in India. The company has doubled its India assembly capacity to 20,000 units per annum
- Germany-based luxury car maker Bayerische Motoren Werke AG’s (BMW) local unit has announced to procure components from seven India-based auto parts makers

1.5 SEGMENTS OF INDIAN AUTOMOBILE MARKET:

- **Two-wheeler automobile segment**
  In this segment, motorcycles accounts for major Indian Automobile market share. The chief players in this segment is Hero Honda which delivers 50% motorbikes to the Indian market besides sharing 46% in scooter market and TVS for 82% in moped market.

- **Three-wheeler automobile segment**
  Around 41% of the three-wheelers in India are utilized for merchandise transfer purpose. In this segment Piaggio and Bajaj are the leading players with 40% and 68% of market share respectively.

- **Car segment**
  Accounting to 79%, Cars rule the passenger automobile in India. The chief players in this segment are Maruti Suzuki and Mahindra. While Maruti Suzuki enjoys full-fledged monopoly in multi-purpose automobiles sector with 52% of market share, Mahindra have 42% market share in utility vehicles. However in the area of commercial automobiles, Tata Motors rule the Automobile Industry of India with 60% of market share besides being the fifth biggest producer in the world of medium & heavy marketable vehicles.

1.6 INDIA’S AUTOMOBILE SERVICE SECTOR:

In the era of Internet, the Indian Automotive Customers are tuned to the global markets and products. The Indian customers expect the same level of product and service
quality. The wide range of models from different manufacturers with not much change in the specifications within same price band has made it easy for customers to switch from one brand to another. So the challenge of attracting the customers, selling and retaining them with world class services has turned out to be great challenge for all the automobile manufacturers. As already discussed in the preceding section, the India’s automotive sector has witnessed a steady influx by the introduction of global automotive players. The sector is also getting enough of support and inclination from the government. But, as the population of the vehicles increases the need for an efficient and economical service network becomes essential to sustain competition in terms of product range, quality and service. Year on year the new vehicles should be sold, serviced and maintained. Hitherto, service depth and quality turn out to be the most important components to gaining customers and retaining them.

Typically, the performance of any auto manufacturer in terms of market share or customer experience per se depends upon the health of the automobile service networks namely the distributor, dealers and sub-dealers. So, in a way the dealers and manufacturers have to create up the mobility in building the capacity to sell and serve the customer better. Arora (2012), has pointed out three important pillars as three S’s on which the Indian Automobile service sector essentially stands–

i. Service Infrastructure – essentially Automotive Dealers (appointed by the manufacturer) located at the right locations.

ii. Supporting infrastructure – Showroom with good ambience, well equipped workshop and availability of Automotive Spares

iii. Skilled Manpower to assist the entire service pattern
ICRA Report (2012), titled “Indian Automotive Dealership Industry” the automotive dealership was considered to be the low investment business with majority of investments in inventory which the dealer operator has to have in the form of spares. But with the rising prices of real estate, rentals, operative expenses, investments on customer centric showrooms with standard specifications has increased the upfront investments for the new dealers has pressurized financial performance of the dealerships. Also, in order to attract and retain customers and to sustain stiff competition the dealers are forced to pass on the discounts at the cost of dealer’s commissions and/or margins. Further, to add to the agony of dealership businesses, advent of third party service providers such as Castrol bike points, Bosch Multi Brand Car services, Carnation, MyTVS bike points etc, have created a dent in the way dealers have been operating. In such scenario, effective sales and services for customers have become utmost important for all the dealer service centers in India to sustain high levels of competition. The competitiveness and less differentiated products at almost same levels of pricing have called in for more attention towards customer satisfaction and retention for automotive dealers and manufacturers.

1.7 CUSTOMER SATISFACTION IN AUTOMOTIVE SERVICE SPACE:
ICRA Report (2012) explains that the automotive dealership business has varied sources of revenue which are listed below-

- First and the major being the selling of vehicles (old and new) – As per the research conducted by ICRA on 125 automotive dealerships in India, they found that 85% of the revenue comes from selling of vehicles.
- Second being sales of spares, servicing of vehicles, incentives from the manufacturers, commission from insurance and financing company’s together accounts to 15%.
So to say, major revenue is constituted out of sales of vehicles rather than sale of spares, accessories and other income avenues. But, in view of increased sales push from the manufacturers is resulting in increased non moving inventory; increased operational expenses (rentals, employee); investments in modernization of showrooms and owing to the decreased sale because stiff competition in terms of alternatives in the same price band with similar or more features and specifications has resulted into higher levels of debt on the dealers. Thus, dealers have to look on a more than one ways to retain their market share by enhancing the services being provided by them.

As seen in the previous paragraph where majority of the revenue of automotive dealers comes through sales, the primary emphasis of all the dealers should be churning around the “Customer Satisfaction”. Dua and Savita (2013), have explained that Customer Satisfaction in a service space is an important factor because higher level of satisfactions can result in many other types of benefits such as

- Loyalty
- Repeat Purchases
- Referrals
- Customer Retention
- Reduced cost of service
- Premium safety

Automotive service providers such as automotive dealers are primarily required and focused to provide good service quality which should exceed customer expectations and should result in 100% satisfaction of the customers. Satisfied Customers can more than often increase organizations income and more likely to purchase more services from the
organization (Reichheld, 1993). Also, the customers generate new businesses for the organization through positive word-of-mouth (Reichheld, 1996). As stated by Zeithmal et al. (1996) the concept of satisfaction and loyalty is highly prevalent in Service organizations as compared to product organizations because unlike services, in product organization the quality is perceived and judged on the basis of product specifications and performance, but the component of intangibility revolves majorly in services, making it more difficult for service providers identify different ways to satisfying customers and gain loyalty.

**THESIS OUTLINE**

**1.8 OBJECTIVES OF THE STUDY:**

i. To understand the concept and theory of customer satisfaction and service quality by undertaking a thorough literature survey and identifying the gaps thereon.

ii. To build a case study of existing and operating automobile dealer to understand the intricacies of service delivery in the auto service sector and identify the latent parameters.

iii. To conduct a pilot study among the 30 (10% of the aggregate population) customers for expectations and perceptions of the service quality in the automobile showrooms and to validate the parameters.

iv. To conduct a questionnaire survey among 200 passenger vehicle customers in various automobile dealerships in north Karnataka region.

v. To suggest methodologies and ways to the dealerships in question to improve their service quality to enhance customer satisfaction.

**1.9 SCOPE OF THE STUDY:**

The scope of automobile industries has been a increased economic development. It has vital activities in investment & entry of a number of foreign players. The automobile
helps in transport people & goods over long distance. It has worldwide demand & has broader scope for logistics & rise in economic growth. It creates per capita income & National income & it leads to overall development of the country.

As apparent from the explanation above there exist huge scopes to understand the factors influencing the customer satisfaction in automotive dealers. In order achieve the title of the study, the researcher will be undertaking following actions and take the research in that direction

✓ To conduct exhaustive literature survey related to customer satisfaction and to thoroughly understand the concept of customer satisfaction
✓ To review various models and applications of customer satisfaction
✓ To review the customer satisfaction literature in service sector in general and automotive service sector in particular
✓ To identify the gaps in the existing literature
✓ To articulate various factors used in the past to measure customer satisfaction
✓ To develop a research framework to do formative assessment of the factors influencing the customer satisfaction in automobile showrooms (dealers)
✓ To develop research questions, objectives and hypothesis
✓ To develop a comprehensive questionnaire
✓ To conduct a pilot study to authenticate the research questions

1.10 NEED FOR THE STUDY:

The Indian Automotive Industry has come a long way since independence and has turned to become the most vibrant sector. As quoted by Peter Drucker the automobile industry “industry of the industries”, which stands true in case of Indian Automotive
Industry. With the contribution of about 7.1% to the Indian GDP (source: IBEF) and accounting to 22% of contribution in manufacturing GDP, this sector and lucrative export scenario, this sector has the potential to dominate the global automotive industry.

But in the hindsight, intensified competition in all the categories has forced all manufacturers to expand their sales and services all over in the past few years, which would help them to far out their market reach. This has resulted into increase of dealership networks by 40% (source: MSIL Report, 2014). Consequently due to higher pressures from manufacturers has raised intense pressure on the dealerships to earn profits and maintain their sales and commute operations. The rising prices of real estate, rentals, operative expenses, investments on customer centric showrooms with standard specifications has increased the upfront investments for the new dealers has pressurized financial performance of the dealerships. In order to attract new customers and retain existing customers the dealers are forced to benefit the customers with discounts at the cost of their commissions, as major revenue for the dealers only comes through sales of vehicles. Hence satisfying customers becomes the primary focus of the automotive dealers, as it can result increased sales, which ends up in higher income for the dealers and manufacturers. Also these customers are more likely to purchase additional products and services and bring new businesses through word-of-mouth communication.

1.11 SIGNIFICANCE OF THE STUDY:

It is a well acknowledged fact that the Indian automobile industry has been a trend setter for the Indian economy. It is one of the few industries that emerged successfully from the recent economic slowdown. The industry continues to witness rising competition with influx of investments and entry of a number of foreign players. The consumer today is spoilt
for choice, more informed, confident and largely influenced by the internet. Automobile players are take note of this change and experimenting with online marketing with effective use of the digital medium. Many simple steps taken by the car dealers help in improving the level of satisfaction level of online consumers. If the website is updated and if it matches the ever changing needs and preference of online customers and is in well maintained condition, it will boost buyer’s satisfaction. A user friendly, efficient and knowledge based website also helps to gain buyer’s confidence. This further aids to create a strong and optimistic perception for both the dealer and the manufacture.

The present study area that has attracted significant interest of the researcher is to understand the various facts and facets about the customer satisfaction in the automotive service space (namely the automotive dealers). The outcomes of the study will lay down a blue print for the dealers and the manufacturers to develop newer strategies and streamline operations so as to satisfy their customers and keep on serving them in the long run.

1.12 LIMITATIONS OF THE STUDY:
The study emphasizes the actual status of customer satisfaction in automobile dealerships. The geographical scope is restricted to dealerships operating in the 4 districts of north Karnataka. The outcomes in view of different vehicle segment/s, with different geographical location/s, and different dealerships of departed segments may vary.

1.13 CHAPTERIZATION
The present study will be presented in 5 chapters which are explained below:

- **Chapter 1:** This chapter includes historical development of the automobile industry, major automobile companies in India, major initiatives of government of India to
support automobile sector, foreign direct investments in automobile sector, segments of Indian Automobile market, Automobile service sector, Customer Satisfaction in Automobile Service Space, Objectives of the study, Scope of the Study, Need for the Study, Significance of the Study, Limitations of the study.

- **Chapter 2:** This chapter is giving brief view of automobile in order to identify the constructs and to measure the customer satisfaction.

- **Chapter 3:** In this chapter comprehensive review of literature relating to customer satisfaction and automobile service sector is undertaken and frame the Research Hypothesis

- **Chapter 4:** In this chapter the research framework, Sampling Criteria, Research Setting and Sampling are explained

- **Chapter 5:** This chapter includes Statistical Analysis and Interpretation

- **Chapter 6:** The suggestions and conclusion are written in this chapter

**CHAPTER CONCLUSION:**

This chapter basically attempts to give a clear outlook about the importance of faster and reliable transportation to human beings which forced them to invent the automobiles. Also, it gives historical perspective of advent of first ever automobile in India and how this industry has grown to be the most competitive, prominent and potential industry in India by the turn of century. The chapter also carves issues and pressures which this growth and competitiveness has resulted onto the automobile service sector namely the dealers. Further more discussions in this chapter reveal that achieving customer satisfaction is only solution in sustaining competitive issues and pressures hence, attaining growth and sustainability in automobile service sector.