

Impact of Post-Liberalization and Its Impact on Buying Behavior and Attitudes of Consumer Behavior towards Premium Car Segments- A Detailed Investigation in Madhya Pradesh State

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Abstract – The automobile industry grew under a highly regulated and protected economic environment over the period 1950 to 1980. The Indian automobile industry embarked on a new journey in 1991 as a result of relaxed restrictions with the advent of liberalization and globalization. India has the youngest population visibility amongst the numerically substantial nations. There are lots of young humans in various income sections and locations. Possibly the most challenging approach in marketing is to cope with the discernment of buyer behaviorism. This research paper is a simple random survey method which considers the decision making of consumer's attitude and behavior is related to buying premium car segments. These results are analyzed from 250 consumers present in 5 cities of Madhya Pradesh i.e., Bhopal, Indore, Gwalior, Jabalpur, and Satna. The customer's decision-making method is considered with detailed analyses of pre-purchase strategies adopted by premium car buyers around the 5 cities said before. This research also deliberates about the features of premium cars and their buyers of the same.

Keywords: Automobile Industry, Consumer's Attitude, Pre-Purchase Strategies, Behaviourism

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1. INTRODUCTION TO ECONOMIC LIBERALIZATION

The growth prospects of a national economy are largely determined by its key industries. In recent decades, the automobile industries in many countries have proven to be one of the strongest drivers of technology, growth, and employment (1) and its development have characterized global competitiveness of leading industrialized economies. The automobile industry is a fairly developed one and involves huge investments in research and development and technology and is seen as an indicator of the economic progress of a country. An understanding of the automobile industry in some of the developed countries enables one to study the emerging trends in developing countries (2) like India.

The Indian Automobile Industry has got tremendous market potential after economic liberalization in the 1990s like never before. Various tax reliefs by the Government of India have made remarkable impacts on the industry. The country's large middle-class population, growing earning power, strong technological capability, and availability of trained

manpower at competitive prices are also the reasons that attracted a large number of multinational auto companies, especially from Japan, the U.S.A., and Europe, entering the Indian market. At this juncture firstly, the study endeavors to analyze the post- (deregulation and global environment) liberalization era.

The Government of India announced a new automobile policy in June 1993 including measures such as de-licensing of the whole automobile segment, automatic approval for foreign holding of 51 percent in Indian companies, the abolition of phased manufacturing program, reduction of excise duty, and commitment to indigenization schedules (3). These policy measures considerably transformed the environment in which the firms had been operating. The policy decisions also changed the behavior of the established firms concerning technology acquisition and performance (4). Since 2000, significant trade and investment restrictions were removed to speed up the momentum of the liberalization of the automotive industry. That phrase from early 2002 to date has been marked by the removal of most import controls, entry of many more foreign players in the Indian automotive market, and

Indian companies gaining a global identity and acquiring foreign companies.

Due to fast advancement in the service sector, the per capita income of the general public of India is also increasing. The number of the middle class is also increasing due to another fact that people are fast transforming from farming to services and manufacturing sector where advance views are reasonably higher as compared to the farming aspect which has slow growth. The consumption practice of a country dependent on the liberalization of economical approaches, purchasing practice of the younger generation, financial autonomy at a young age, growth in nuclear families, and increase to media exposure. Another considerable factor that led to increased consumerism is the growth of India's credit culture. The Indian car finance market is growing at a CAGR of 13.20 percent from the year 2010-15 and it is expected to grow to \$30.43 billion by 2020 (5). The Indian consumer does not feel shy to buy products on credit and will pay tomorrow for what they use or buy today. This attitude has led to a large growth in the purchase of any products or manufacturing. This research is to analyze the customer attitude towards premium passenger sedan cars.

2. BACKGROUND

Because of the advent of globalization and liberalization, there is stiff competition among the automotive industries that concentrate attention on capturing Indian markets, an automobile is no longer considered once as a luxury, but occupies a part of everyday life and has become a necessity. Customers have now adjusted their mentality that the luxuries of yesterday are the needs of today. To be a successful marketer, studying the perceptions of prospective buyers and tracking their drivers of those is essential.

3. LITERATURE REVIEW

Srilatha S. and Dr. A. Arulappan (2013), in their research study titled "customer attitude towards the purchase of premium segment cars," have revealed that most of the respondents prefer Maruti and TATA in the premium segment cars. Low maintenance cost, repair facility, and easy availability of spare parts were said to be the motivating factors of the customers. Apart from these other factors influencing the purchase is the affordable price, quality, several models, and after-sales service. Customers belonging to different occupation and annual income of Rs. 1,00,000 – 2,00,000 prefer purchasing these brands with an engine capacity between 1000 - 1500cc. Major buying decisions are influenced by their family members. Thus this study has also revealed that the above factors as motivating and influencing factors of the customers for the purchase (6).

Dr. H.S. Adithya (2013) in his research paper titled as "Customer Perception and Behaviour of car Owners – an Empirical Study in Bangalore City" has revealed that the respondents perceive that driving comfort and fuel economy are the most important features of the passenger car followed by availability of spare parts and price of the car. The demand for the premium car segment is increasing because of the growing number of nuclear families as well as parking problems (7).

4. OBJECTIVE

4.1 Primary Objective

To study Impact of post-liberalization and its impact on buying behavior and attitudes of consumer behavior towards premium car segments- A detailed investigation in Madhya Pradesh State.

4.2 Secondary Objectives

- To study the situational/Scenario Analysis among the consumer.
- To explore the underlying decision-Making Process for Consumers
- To study the customer satisfaction for Post Sales service in automobile industry
- To determine the Pre-Purchase Strategies Based on Customer Attitude

5. METHODOLOGY

5.1 Situational/Scenario Analysis - The Post Liberalization Scenario of the Automobile Industry in India

Situational/Scenario analysis has been used in this study to provide a systematic collection and evaluation of the data about the post-economic liberalization era to identify internal and external forces that may influence car manufacturers' performance and their choice of strategies. A SWOT analysis of the post-economic liberalization era has been done to assess the present and future strengths, weaknesses, opportunities, and threats to the automobile industry. Porter's Five Forces Industry Analysis is used to understand the analytical processes in which car manufacturers understand their consumers and the competitive market environment in which they operate. PEST analysis is to assess the external market influence on the automobile business environment in India.

SWOT analysis is a tool of strategic planning which is used to evaluate the strength, weakness, opportunities, and threats involved in a business venture. It involves identifying external and internal factors that are either favorable or unfavorable for the company or industry. The two main categories in

a SWOT analysis are; internal and external factors. The internal factors comprise of strengths and weakness, and the external factors include opportunities and threats (See Table 1).

Table 1. SWOT analysis of the Indian Automobile Industry in Post Liberalization Scenario

Strengths	Weaknesses
<ul style="list-style-type: none"> Investment by Foreign Car Manufacturers Increase in Passenger Vehicle Exports Low Cost and Cheap Labor Rising Middle Class and Disposable Income Levels Expertise as a Small Car Hub 	<ul style="list-style-type: none"> Low Labor Productivity Production Costs and Regulatory Environment Localization and the Quality of Production Poor Infrastructure
Opportunities	Threats
<ul style="list-style-type: none"> Government Reforms Low Car Penetration Levels Niche Rural Markets Changing Demographics and Differentiation Acceptability 	<ul style="list-style-type: none"> Economic Slowdown Unskilled Labor Diminishing Export Markets Saturating Domestic Urban Markets

The presented SWOT analysis of the Indian Car Industry in the post-liberalization scenario is focused on both the internal and external factors. This analysis will be used to do a comprehensive strategic assessment for the industry. Through the analysis, identification, and highlighting of the major areas of strengths, weaknesses, opportunities, and threats the players in the car industry can make useful adjustments, realignments, and changes in their business strategies.

6. RESULTS

6.1 Decision-Making Process for Consumers

The consumer decision-making process involves a series of related and sequential stages of activities. The process begins with the discovery and recognition of an unsatisfied need or want. It becomes a drive. The consumer begins to search for information. This search gives rise to various alternatives and finally, the purchase decision is made. This is shown in Figure 1.

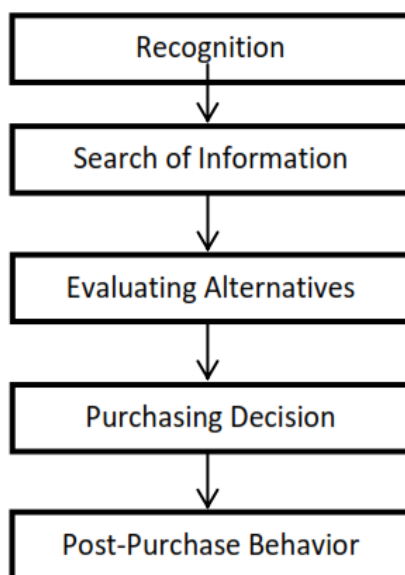


Figure 1. Steps in Decision Making Process

This research determines the constituent's resolution in the need to buy a passenger vehicle by assessing the problem recognition method of the decision-making process. This is driven by the sources of dissimilar types of information victimized during the exploration of information and the impact of this during the decision-making process. Through this research, the necessity, position, and cost were established as the key constituents that were identified during the problem recognition process that contributed to a decision for the purchase of passenger vehicles. A mixture of information provenance ranging from the internet, guidance, references, test drives, through the print media was referenced preceding to purchase. From the prospect of family, colleagues, individual influence, and friends were established to be the most significant in the decisiveness.

Monthly instalments, income, lifestyles, payments, and interest rates were established as the top five constituents that influenced the middle class while purchasing (8). An analysis on attributes of the car buyers in Vellore district, supply's a work of consumer purchasing behavior that has shown several constituents like income, cost, competition with alternatives, income distribution, consumer choice (economic factors) and utility on with other constituents like attitude, sophistication, lifestyles, societal values, family size, character, wellness criteria, and education play the major role in the behavior of buyer (9).

The scientific work on the purchase decision concerning purchasing cars has shown abundant discoveries and recommendations that can be used for increasing products to meet the necessities of car consumers. The work postulates that a rational fantabulous option of consumer behavior has evolved to attention on ridiculous purchase requirements (10). In essence, the enjoyment i.e. fun, feelings, and fantasies (experimental view) offered by the product and the resultant flavor of joy play a vital part in consumer decision-making and even consumption. In contrast, the information processing pattern outlooks the consumers as coherent thinkers who solve difficulties with purchase settlements. The status of consumers' behavior in respect of frequency of using the car and assets the post-sales behavior of dealers as perceived by consumers (11).

Pre-purchase and post-purchase behaviorism and constituents are persuading their brand choice to buy cars. With aggregate selections available to Indian passenger car customers, it radically changed the path the car purchases in India (12). It transmuted the automobile plot from the seller's market to the buyer's market. Passenger car buyers started evolving their personal choices and purchase models that were formerly unknown in the segment of Indian automobiles. The study also recommended that manufacturers should also focus on the reliability factor, safety and comfort of

customer, creative design, privacy and facility, the trustworthiness of the car and its brand, gracious of product, deluxe, handling conduct and compatible' are factors that affect car purchase decisions and brand choice (13). The composition of consumer behavior towards passenger cars concerning Virudhnagar district of Tamilnadu focuses on customer behaviorism concerning passenger cars and involves critical discussion of characteristics influenced by the purchase behaviorism (14). It is directed for improved discernment of the correlation amongst client fulfillment, brand images, and information from mass media headed for the skilled appraisal at various positions of purchasing choices.

Pre-Purchase Strategies Based on Customer Attitude

Eight items have been taken to examine the Pre-Purchase Strategies accepted by premium passenger car buyers. The technique used to examine this specific problem is the Weighted Average Score Test. And the weights are assigned as "3 to Strongly Agree", "2 to Indifferent" and "1 to Strongly Disagree". The results are below in Table 2. (SA - Strongly Agree, ID- Indifferent, SD- Strongly Disagree).

Table 2. Pre Purchase Strategies Adopted by Premium Car Buyers

Variables (N=250)	SA (Freq)	ID (Freq)	SD (Freq)	Weighted Average Score	Ranks	Std. Deviation	Variance
Talking to sales persons	120	99	31	2.3560	5	.69223	.479
Looking cars advertisement	87	131	32	2.2200	6	.65522	.429
Collecting data from others	175	75	0	2.7000	1	.45918	.211
Visiting dealer's showroom	167	67	16	2.6040	2	.60717	.369
Reading auto magazines	59	119	72	1.9480	7	.72346	.523
Websites	127	95	28	2.3960	4	.68194	.465
Expert opinions	151	67	32	2.4760	3	.71236	.507
Test driving	195	35	20	2.7000	1	.60950	.371

The Table 1 showed that factors "Collecting data from Others", and "Test Driving" are more significant with a weighted average score of 2.7000 and Standard Deviation of .45918 and .60950 correspondingly with Variance .211 and 371 respectively. The second most important variable is "Visiting Dealer's showroom" with a weighted average score of 2.6040 followed by "Expert Opinions" with a weighted average score of 2.4760. "Reading Auto Magazines" is the least important pre-purchase strategy adopted by premium car buyers with a Weighted Average Score of 1.9480.

The behavior displayed by the sample showed that the major factors that accounted for Pre-Purchase Search Strategies are "Collecting data from Others", "Test Driving", "Visiting Dealers" Showroom" and "Experts" Opinions". The marketer must try to improve on these stated aspects. Consumers depend more on "Collecting data from Others" for getting information about specific cars. Therefore, marketers should focus on publishing books, Auto Magazines, organizing automobile shows, and fairs and designing informative websites for their customers.

Characteristics of Premium Cars

Figure 2 clearly shows that a car with technological advancements (40%) is the primary characteristic that customers find in a premium car during their purchase. Henceforth, to increase customer base, companies have to come up with more technological advancements and innovations in their cars.

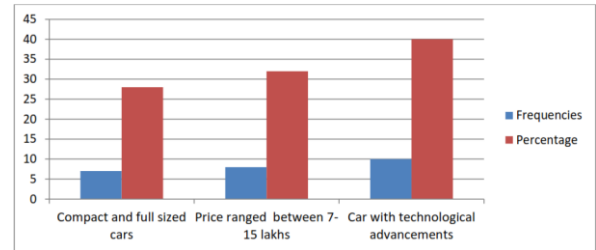


Figure 2. Characteristics of premium cars based on customer's attitude

The relationships between variables that affect the decision of a consumer to buy expensive cars are explored. Such variables have been united and applied to premium car manufacturing. It impacts on few customers' premium car consumptions in addition to the similar criteria of premium cars. Thus helps the marketers to make a better move of their brand and advertising strategies to capture the right target and also boost the sale while facing the challenging economy (15).

Features of Premium Car Buyers

Figure3 showed that "High Income" ranks no. 1 amongst the features of premium car buyers. The results provided in the above table show that promotional strategies do not appear to be an influencing factor when deciding to purchase a premium car. It can be settled that people with high disposable income preferably go for a premium car.

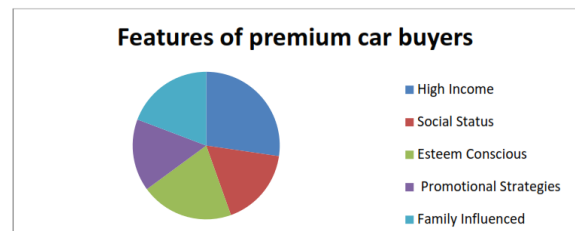


Figure 3. Features of Premium Cars buyers as per purchase decision

7. SUGGESTIONS AND FINDINGS

India is a developing nation with a low per capita income. Instability in the Indian economy will have an immediate effect on a car sale, a car is perceived as a lifestyle product. Though the car industry cannot be insulated from the effects of slowdown and recession in the economy, the industry needs to

be more in-sync with the growth and development of India.

The Indian government should come forward, reduce the taxation, and revise the duty structure for green vehicles those are - fewer pollutants, high fuel efficiency, safe-driving vehicles. The government should ensure better quality cars are available on roads and implement ELV(End of Life) norms. Cars plying on roads for more than 10 years should be re-inspected for their proper functioning and roadworthiness. Road infrastructure needs to be further updated to support technical requirements such as ABS, Air Bag, and Vehicle tracking through GPS, RFID, and electric car by providing roadside electrical charging.

In the category of personal preference on comfort factors, dominant factors were a comfort in driving, value for money, and interior design, which topped the requirement list. Premium car segment-wise analysis also brought out these specific comfort requirements across all brands. Manufacturers might look into these aspects to their car design, so to attract car passengers, prone to decide the models based on these criteria.

8. CONCLUSION

In the last two decades, the Indian auto industry has emerged as one of the fastest-growing manufacturing industries with increasing technology levels and substantial advancement of firms. The market for luxury products in India is likewise climbing at astounding esteem as compared to a decade past when it was almost undistinguished. The reason is that the ability to purchase by Indians is rising. The Indian consumer is now highly aware of almost any product, cost, quality, and all options available to them. Purchasing is done through all these components in mind. The attitude of Indian consumers has undergone a major change over the last few years. Indian consumers now bid for opulence and comfortable life. The Indian middle class has provided a boost to consumer sophistication during the recent past and it is hoped that their purchase behaviorism will move on to modification in the upcoming future.

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