

# Buying Behaviour of Indian Automotive Industry needed for an Entrepreneur

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**Abstract :** As per Society of Indian Automobile Manufacturers, Gross turnover of Automobile Industry in 2016-17 was 67724 million USD. In 2017-18, 29.07 million vehicles were produced in India. With Indian Automotive market growing at such exponential rate, it is definitely one of the most promising industries for aspiring Entrepreneurs. In spite of possessing necessary Entrepreneurial traits and skills, Entrepreneur should ultimately be able to sell their product/services to Automotive Industry. Hence, a thorough knowledge of buying behaviour of Automotive Industry is very essential for a successful Entrepreneur. Unlike consumer buying Behaviour, Industrial buying behaviour is more complex and purchase decisions are made after repeated negotiations. Purchasing decision is made after development of strong Interpersonal and Inter organisational relationships. Buying decision is based on various factors like meeting product specifications, Product Innovation, Quality, timely supply, Cost effectiveness, Aftermarket service. Literature review on Buying behaviour of various Industrial marketing fields is correlated with reference to Indian Automotive Industry for deeper understanding of Buying behaviour of Automotive Industry. Knowledge of buying behaviour is essential for an Entrepreneur to enter and increase their business volume in Automotive Industry.

## INTRODUCTION:

Many industries are available in India for Entrepreneur to start and establish their new venture. Alexander L. M. Dungee, Brian Haslett and Leonard E. Smollen ( 1997) recommended the following characteristics for promising Entrepreneur as High Drive and Energy level, Possess High Level of Self-Confidence, Ability to Set Challenging but Realistic goals, Long-term Involvement, Consider money only as a performance measure and not consider it as End in itself, Possess Persistent problem solving character, Able to Take moderate risks, Attitude to Learn from failure, Use Criticism positively, Take initiative and seek personal responsibility, Ability to make good use of resources and Compete against Self-imposed standards. Possessing above Entrepreneurship qualities and have capability to get adequate financial support, Entrepreneur should select industry which is large, growing and have huge future potential.

## IMPORTANCE OF AUTOMOTIVE INDUSTRY

Indian Auto industry is 4<sup>th</sup> largest in the world. It was 7<sup>th</sup> largest in commercial vehicle manufacturing in year 2017. The Gross Turnover of Automobile Manufacturers in India is listed below:

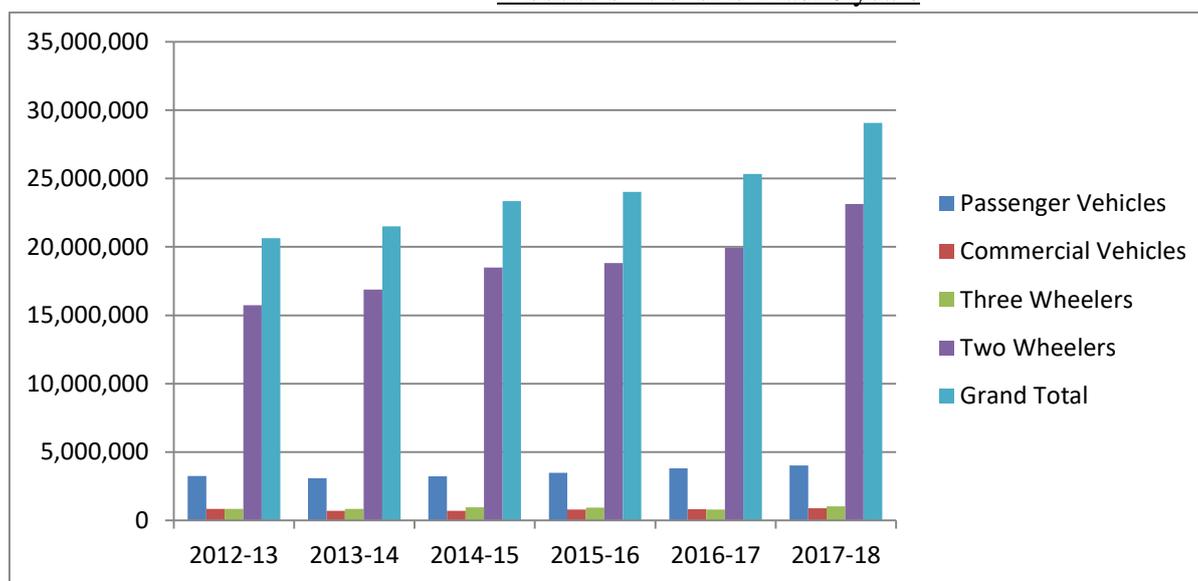
Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Gross Turnover (in USD Million)	66,264	67,607	55,212	58,909	63,866	67,724

USD Conversion Rate	47	50	60	61	66	67
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(Source: Society of Indian Automobile Manufacturers)

As VandanaSingh( 2017) stated Automotive Industry is a key industry in Indian Economy and has huge impact in Indian Economy in terms of Gross Domestic Product (GDP), Foreign Direct investment (FDI), Export Turnover and Employment generation.

Production trend for Past 6 years



(Source: Society of Indian Automobile Manufacturers)

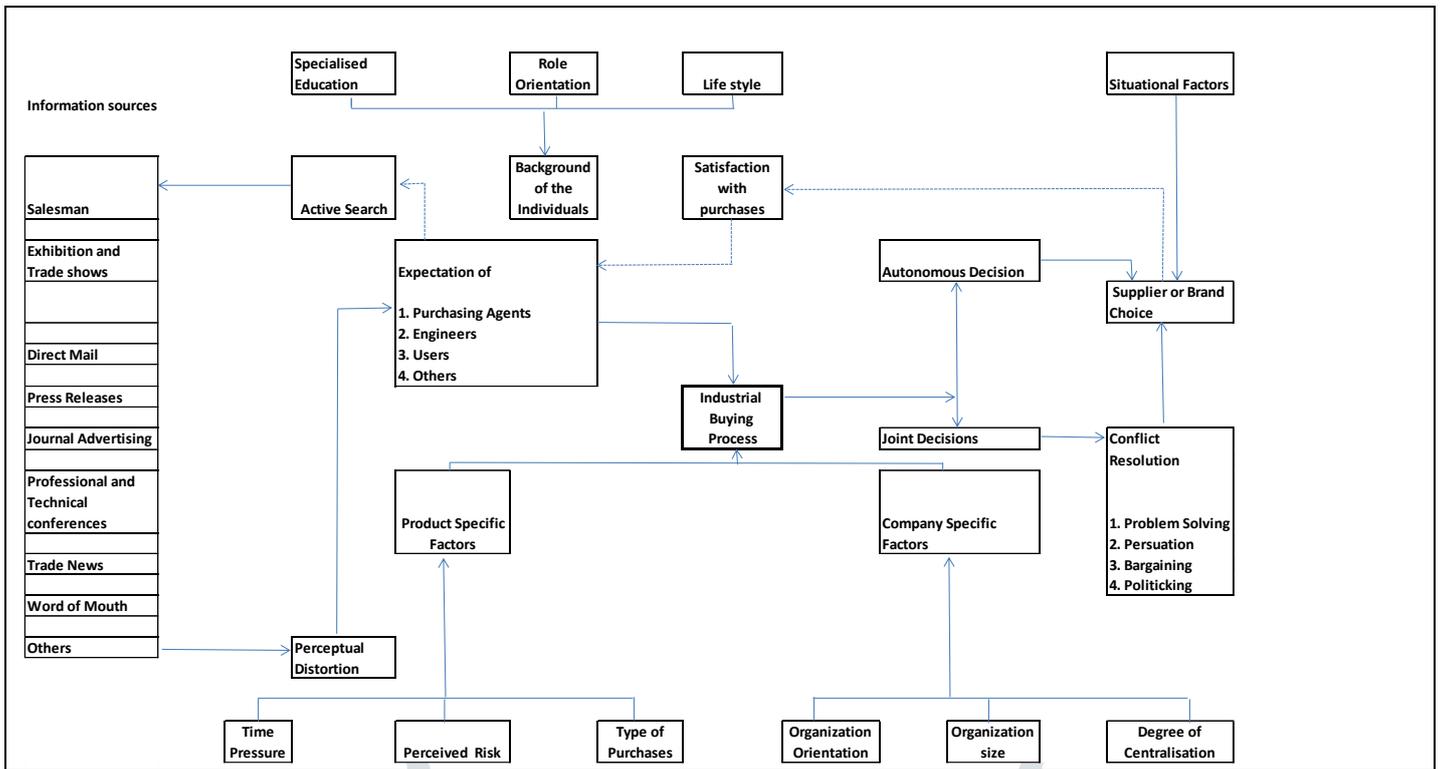
Hence entrepreneur should consider entering promising Automotive Industry. It includes Original Equipment Manufacturers (OEM), Tier I suppliers who are component suppliers like Tyre, Engine manufacturers etc, Tier II suppliers who are the sub-supplier to the Tier I suppliers.

Once decided to Enter Automotive Industry, entrepreneur should be able to secure order for supplying his product/Services. Establishing a new company and obtaining order competing with current supplier is not an easy task. Hence, any entrepreneur should first understand the buying behaviour of Automotive Industry before approaching Automotive customers. It is always better for Entrepreneur to first supply to TierI/Tier II supplier and then proceed with OEM supplies so that he can get acquainted with quality requirements and Supply chain challenges of this Industry.

**ANALYSIS OF BUYING BEHAVIOUR**

Background of Individuals and Perceptual Distortion:

Jagdish N.sheth model of Industrial Buyer behaviour(1973) is used for analysis of Automotive Industrial buying behaviour. In case of Automotive Industry, Background of individuals who are involved in the purchase decision making process varies . These individuals can be actual buyer in purchase department, R&D Engineer who ultimately needs the product in case of New product development or the current user of the Product if the product is already being procured and others.



(Source: Jagdish N. Sheth model of Industrial buyer behaviour)

The background of these individuals depend on the Education qualification they received, Life style they follow, Role they perform in the organisation. Apart from this, their Expectation is also influenced by earlier purchase decision made for the same product. If they are satisfied with current supplier, they might not show more interest with new entrepreneur, however if they are not satisfied with current buyer, they might show favourable response for alternate source. These individuals are also constantly influenced by the Information sources. This is the main reason why suppliers in Automotive industry, go for industrial advertising, participation in various trade fairs etc to keep industry aware of their presence. Though Industrial advertising is now getting more intense in Automotive industry, when Automotive buyers are not satisfied with current buyer they might show active interest to gather information through various information sources. If the Automotive buyer is satisfied with current buyer, they might not search for alternate buyer unless there is a different need which could not be met by current supplier. These information sources will create perceptual distortion in the Expectation of the buyer, Engineers and others apart from their own selective distortion of available information. Any Entrepreneur who have created impact through various information sources can influence the buying decision better than others. This is the reason Entrepreneur should create awareness of his product/company through multiple information sources rather than depending only on salesman. If there is any dis-satisfaction in current supplier, Entrepreneur will have better chance of Entering Automotive industrial customer and very difficult to enter in case they are satisfied with current supplier.

**JOINT DECISION MAKING:**

Most Buying Decision Making in Automobile industry is done by Joint Decision making wherein the representatives from purchase, R&D, production, Supply chain, quality and Finance are called for discussion. Each department will give their views on the supplier performance and mostly there will be disagreement and conflicts among the team members. In case of new Entrepreneur, automotive industry will generally Audit their facility before decision making. Their current performance with other customer is

evaluated and their capability to meet the new requirement of this supplier is clearly evaluated. Hence, during Joint decision making, all performance parameters of the Entrepreneur will be discussed and normally the conflicts are resolved with bargaining and final supplier is selected. This is one of the reason why any new Entrepreneur should have good relationship with all departments in case of Automobile industry and should satisfy their respective departmental need. Being best in one factor alone will not influence joint buying decision. All related factors like Quality, delivery, price, innovation are considered in a buying decision.

### **DETERMINANTS OF JOINT OR AUTONOMOUS DECISION:**

Any Entrepreneur should understand whether the Buying Decision is made Jointly or by any individual. Buying Decision can be either Joint or Autonomous based on the following Factors.

#### **A) Product Specific Factor**

If the perceived Risk is more for product of high technical nature like an Engine, transmission system etc then buying decision will be decided only jointly. Similarly if the purchase decision is of capital expenditure/high value it will be mostly decided jointly. However if it is only repetitive nature like grease, packing items or buying decisions which have time pressure, it will be mostly handled by one individual. Hence, Entrepreneur should understand the product category under which his product/ service lies so that he can approach accordingly.

#### **B) Company Specific Factor**

Company Orientation, Company size and degree of centralization also will decide whether the buying decision is made Jointly or by Individual. In case of Automobile industry, if the company is Product oriented, R&D Engineers influence the Buying decision and in case of Production oriented company, Production personnel will influence more in buying decision. Similarly if decentralisation is more then decision making will be joint while in case of a small company, Buying decision making will be made by an individual.

#### **C) Situational Factor**

Though in most case decision making is made as per the above process, there will exception in adhoc cases like sudden high growth need, recession etc.

### **BUYER-SELLER RELATIONSHIP**

As Automotive industry is mature industry, good long term relationship already exists between Buyer and Seller. When the Buyer- seller Relationship is very strong, Entrepreneur will find it difficult to enter as a new supplier. One of the promising way is being innovative.

Few immediate avenues in innovation include Electric vehicle, Alternate low weight and High strength material and Alternate Fuel. Apart from this, Use of Information and Communication Technologies ( ICT) has made huge impact for future driverless vehicle designing . CemBila, Fikret Sivrikaya, Manzoor A. Khan, and Sahin Albayrak classify Safety-critical vehicular applications based on information and communication technologies as follows Vehicle Detection, Road Detection, Lane Detection, Pedestrian Detection, Drowsiness Detection, Collision Avoidance, If Entrepreneur tries to introduce new product in such new innovative technological requirement, they have easier chance of entering Automotive industry.

## CONCLUSION

Automotive Industry is one of the promising industry for Entrepreneurs .If Entrepreneur understand the buying behaviour of Automotive Industry can enter Automotive Industry and grow along with the industry which has huge growth Potential.

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