

Measuring Success of New Product Launches in the Indian Automobile Industry

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ABSTRACT

The Indian auto industry, worth Rs. 3400 billion in 2016, has grown at a Compound Annual Growth Rate (CAGR) of 14 per cent over the last five years with total sales of vehicles reaching around 90 Lakhs vehicles in 2015-16. That number is likely to see a significant boost, given that the first half of 2014-15 has already witnessed a staggering growth rate of 17.12 per cent.

This study deals with a critical analysis of Indian automobile industry and its growth it has shown in past years. Even though industry has been showing good growth in numbers it is more important to see whether it is really moving up the ladder.

The growth it shows should be in terms of success of new product launches. So this study is to analyze the success rate of new product launches and to see whether the growth shown in Indian automobile industry is really due to new product launches and their success. Due to exhaustive nature of the industry, the study would be confined to cars only. Now the study deals with measuring success of new product launch for cars launched in the past four years. Further, short listing of some car models have been done to make the study more specific and effective.

Measure.

Keywords: Indian Automobile Industry, Compound annual growth rate, total sales of vehicles

1. INTRODUCTION:

The history of the automobile industry in India actually began about 4,000 years ago when the first wheel was used for transportation. In the early 15th century, the Portuguese arrived in China and the interaction of the two cultures led to a variety of new technologies, including the creation of a wheel that turned under its own power. By the 1600s, small steam-powered engine models were developed, but it was another century before a full-sized engine-powered automobile was created. The dream a

carriage that moved on its own was realized only in the 18th century when the first car rolled on the streets.

1.1 DESTINATION INDIA:

India is on every major global automobile player's roadmap, and it isn't hard to see why:

India is the second largest two-wheeler market in the world. Fourth largest commercial vehicle market in the world 11th largest passenger car market in the world. Expected to be the seventh largest by 2016. The automobile companies manufacturing cars in India are:

- Maruti Udyog Limited , Tata Motors , General Motors , Hyundai Motors India Limited Toyota Kirloskar , FIAT Automobiles ,Hindustan Motors , Ford Motors , BMW , Skoda Auto , Honda Siel , Mahindra Renault , Daimler Chrysler , Nissan Motors , Volkswagen , Audi

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1.2 NEW PRODUCT DEVELOPMENT:

Identifying and developing a new product is always a messy, experimental process. For many companies this process is more difficult and less successful than necessary. The process of introducing new products is as risky as it is vital to the long-term success of companies. The number of new products introduced globally is increasing every year, but most of them fail. Revolutionary new products often come from upstart players or companies outside the industry whose vision is not limited by a focus on the current business and markets.

1.3 PROBLEMS OF MEASURING SUCCESS OF A NEW PRODUCT:

- Creates a clear product course map of the enterprise where the managers, regardless of their functional location, understand the significance of the product for the enterprise. Product maps help in defining key priorities, in timely decision-making and in defining the products that shall represent the grounds for further development. This enables not only the improvement of final products but also the elimination of the lost efforts that divert the enterprise from more important activities. The product maps, as well as the processes that create them, are the central parts of the total product development process;

1.4 Measuring Success of New Products :

New products are important for business success of enterprise as a whole. Measuring new product success and its contribution to business performance of enterprise as a whole is a very complex process. A fundamental problem when measuring new product success lies in the meaning of such success, as it has not been well defined. The interpretation of success is affected by the interest groups

involved in new product development (R&R, production, marketing). Complexity of measuring comes from character of innovation - radical, incremental, compatible and incompatible. Radical innovation has a high probability of failure but can be more profitable than incremental innovation. Similarly, incompatible innovation can be more profitable than compatible one.

1.5 MEASURING SUCCESS FOR AUTOMOBILES :

Development of a new product in case of automobiles is a very difficult job. For different markets different conditions have to be taken into account. It's important to look at the business from the customer's and market's perspective. People are buying from you. The more you understand your customer's needs and wants the more you can satisfy them. And the more you understand how they buy that is, their buying decision process the greater the likelihood your sales and marketing efforts will be successful. The measure of success for an automobile is very difficult. Different organizations define it in their own way. Time horizon has big say in measuring of the new product success. The time over which you want to evaluate your product success changes the volume or amount you are expecting.

1.6 FEW MODELS THAT HAVE BEEN SHORTLISTED

ARE:

- Maruti Suzuki Swift
- Toyota Innova
- Hyundai Getz
- Tata Indigo
- Ford Fiesta
- GM Aveo

2. OBJECTIVES OF THE STUDY:

- To study the various new products launch in Indian automobile industry.
- To understand various factors that affect preference of consumers while purchasing an automobile
- Critical factors responsible for the success of new product in Indian automobile industry

3. RESEARCH METHODOLOGY:

A research design is an arrangement of condition for collection and analysis of the data in a manner that aims to combine relevance to the research purpose with economy in procedure. The study is descriptive in nature i.e., descriptive research. Descriptive research is concerned with describing the characteristics of a particular individual or group. This includes surveys and fact-finding enquiries of different kinds. The main characteristic of this method is that the researcher has no control over the variables; one can only report what has happened or what is happening. Thus, the research design in case of descriptive study is a comparative design throwing light on all the areas and must be prepared keeping the objectives of the study and the resources available.

4. ANALYSIS & INTERPRETATION:

4.1 New Product: Success or Failure:

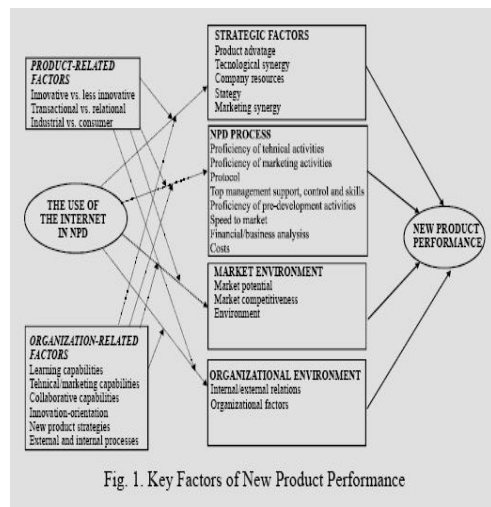


Fig. 1. Key Factors of New Product Performance

4.2 Market Characteristics

Product Penetration:

The penetration of passenger cars in India stood at five per thousand persons as against 27 for two-wheelers in 2000. Significantly, the Indian figures are lower than even those for economies like Indonesia (14 and 62). The relatively high penetration of two-wheelers in India reflects the population's need for mobility and their limited affordability.

As surveyed 44% of the people would like to change their car within 3- 5 yrs of their purchase, where as only 24 % of the people would retain their car for next 5-7 yrs.23 % of the people will retain their car for only next 1-3 yrs from the date of purchase. This percentage depends upon the age group of the people and their disposable income. People with increasing level of incomes are more willing to change their car model and upgrade to a better one. This results from their aspiration for growth in their lives both professional and personal.

4.3 Why customer satisfaction is important in automobile industry

A high level of satisfaction can deliver many benefits, including:

- Loyalty: a highly satisfied customer is a loyal customer.
- Repeat purchase: a highly satisfied customer buys more products.
- Referrals: a highly satisfied customer tells their family and friends about the product or service.
- Retention: a highly satisfied customer is less likely to switch brands.
- Reduced costs: a highly satisfied customer costs less to serve than a new customer.

- Premium prices: a highly satisfied customer is willing to pay more for the product or service.

4.4 THE CATEGORIES EXPLAINED MECHANICAL PROBLEMS:

Uncovers satisfaction levels with the reliability of the car's engine, suspension, transmission and braking systems.

4.4.1: Interior Problems - explores satisfaction with the reliability of seats, heating, air-conditioning and ventilation, sound systems, dashboard and interior.

4.4.2: Exterior Problems - surveys body panels, paint problems, rust and corrosion and exterior lights. **Vehicle Performance** - looks at appeal of the car's ride, handling, braking, engine and transmission.

4.4.3: Dealer Service - evaluates the performance of the franchised dealer network, from the ease of booking a service to customer care. It also looks at how competent the service department is at diagnosing and rectifying faults.

4.4.4: Ownership Costs - discloses owners' perceptions of value for money when at the filling station, insuring and servicing the car. Finally the car is given an overall score. This takes every aspect of the car into account and is influenced most by reliability and vehicle quality, followed by vehicle appeal, then ownership costs, and finally dealer service.

5. Findings

- It has been founded that according to the satisfaction survey Toyota Innova tops the customer satisfaction ratings. It has achieved a highest point i.e. the 41points.
- This shows customers who have purchased Innova are highly satisfied with their car taking all the factors such as mechanical components, interiors, exteriors after sales service into consideration.

- Ford Fiesta has also reached a competitive total of 39 which sets it apart from the other vehicles in its class. Even though it got less scores in appealing, styling and interiors it got highest in the ownership costs since it delivers a highest mileage.
- Fiesta is followed by Tata Indigo and Swift which have achieved a score of 35 and 34 respectively.
- Indigo is a good car but its engine still needs refinement. The engine delivers good power and mileage but has the shortcomings of a diesel engine.
- Swift is an excellent car with drawbacks only with the mileage and probably the price of the car.
- Rest remaining is Hyundai Getz and GM Aveo which have achieved a score of 32 and 29 respectively.

6. Conclusion:

On the basis of the parameters selected it clearly shows that Toyota Innova and Ford Fiesta have topped the rankings in the satisfaction survey. More than 72 % of

- **Innova:** owners say they are willing to repurchase it if provided with subsequent developments with time . They would (around 60%) convince others to purchase this car if in the same segment. Also taking other factors that is the market share and the sales volume of the car it is clearly a success for Toyota. Hence Innova has topped the group with that and the next car that closely follows it is the **Ford Fiesta**.
- Around 63 % of people owning a fiesta say they are willing to repurchase fiesta if buying a second car or changing the car. Hence, Fiesta is the runners up. Also taking sales volume and market share Fiesta is clearly not lagging behind Innova and is sense of pride for Ford.

- Next car that comes up is the Maruti **Swift**. Swift is an excellent car with a sales volume of around 5500- 6000 per month. With mileage being only drawback and the boot it will top rankings when diesel model is introduced. Around 54 % of people say they repurchase this car if improved mileage could be delivered.
- Next car is the Tata **Indigo** which has a higher satisfaction score than swift but is more in Taxi segment and had a good sales volume initially but with introduction of Fiesta sales volume has gone down. .
- In the automobile industry which is a high involvement product there are large no. of parameters while purchasing an automobile. Different people have different needs and they choose the product accordingly. In a car there are large number of factors such as mileage, engine power and performance, interiors, mechanical components, handling , braking etc which make an automobile . So all these components have to be equally effective to their weights demanded by the customer to make an automobile successful. More over the segmentation for the vehicle has to be clearly defined.

References:

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Magazines

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