

A Major Project Report  
On

Study the Growth Pattern and Customer Preferences for  
Hero MotoCorp Products after Separation from Honda

Submitted for the award of the degree of Executive MBA

By

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## **CERTIFICATE**

This is to certify that the major project report entitled “Study the Growth Pattern and Customer Preferences for Hero MotoCorp Products after Separation from Honda” is the bonafied work carried out by Shailender Sharma (2K13/MBA/520), student of EMBA, Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 110042, during the year 2015, in partial fulfillment of the requirements for the award of the Degree of Executive Master Of Business Administration and that the project has not formed the basis for the award previously of any degree, diploma, associate ship, fellowship or any other similar title.

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## **DECLARATION**

I hereby declare that the major project report entitled “Study the Growth Pattern and Customer Preferences for Hero MotoCorp Products after Separation from Honda” Submitted for the award of the degree Executive Master Of Business Administration is my original work and the project has not formed the basis for the award of any degree, associate ship, fellowship or any other similar title. It is the result of the project carried out by me under the guidance and supervision of my Faculty / Mentor Dr. Shamsheer Singh and Dr. Rajan Yadav.

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EMBA Batch 2013~2015

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## ABSTRACT

The study is majorly focused on finding the growth pattern & strategies of Hero MotoCorp (Largest Manufacturer of two wheelers in the world in terms of volumes) after separation from Honda. This study also focuses to find attributes which primarily a customer would consider as preference towards selecting a two wheeler product and overall satisfaction level.

This study is focused on understanding about the various aspects of strategic Marketing for these two major two wheeler manufacturer.

The reason behind selection of these particular companies as a major project is to utilize the academic knowledge and practical experience of working in one of the company i.e. Hero MotoCorp Ltd. (Erstwhile Hero Honda) for last 10 years. Following are some of the highlights that encouraged me for conducting this study:

1. There is increase in the market share of Honda after 2011. So, we need to understand whether this change is the strategic shift or the Competition has more aggressive strategies?
2. Hero has lost its domestic market share after 2011. So, what are the changes that Hero needs to make in its strategies to retain the market share & No.1 position?
3. Hero is now expanding globally. Whether it would be able to understand the challenges and competition in terms of global market?

A survey is done among the customers to study their preference of brand after the split. Customer opinions are recorded about their choice of the brand. It is concluded from the study that the Hero MotoCorp is still overall domestic market leader and facing tough competition from Honda and other players.

**Keywords:** Brand choice after split, Customer Perception, Consumer Behavior, Joint Venture, Hero Honda, Hero MotoCorp (HMCL), Honda Motorcycles (HMSI)

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# Chapter 1

## INTRODUCTION

### 1.1 Background

"Hero" is the Indian brand name created by the Munjal brothers for their flagship company, Hero Cycles Ltd. In the year 1984 a joint venture between the Hero Group and Honda Motor Company was established as the Hero Honda Motors Limited at Dharuhera, India. The Munjal family and Honda group both owned equal 26% stake in the Company named Hero Honda.

It was considered as a landmark deal and dominated over the Indian markets for many years. The dissolution of Hero Honda is certainly a major event in the Indian automobile industry.

In the year 2010 Honda decided to move out of joint venture then as a strategic move Hero Group bought the shares held by the Honda and finally both are separated harmoniously. Honda agreed to sell its share (26% stake) to Hero at discounted (half the market price) in exchange for higher royalties on the products.

On August 9, 2011, India based two wheeler giant Hero MotoCorp Ltd (HMCL), unveiled its identity as new global corporate logo at an event held in London. Hero MotoCorp is the world largest two wheeler manufacturer even after separation from Honda. In India, it has overall domestic market share of about 40.1 % share in 2 wheeler category

Major points for the termination of Joint venture: [9]

- a) Honda's hesitancy to share fully and freely technology with Hero (despite a 10 years technology agreement that expires in 2014)
- b) Indian partner's (Hero) unease over high royalty payouts to the Japanese company (Honda)

- c) Refusal of Hero Honda (which is mainly managed by the Munjal family) to merge the company's spare parts business with Honda's fully owned India based subsidiary Honda Motorcycle and Scooter India (HMSI)
- d) As per JV agreement, Hero Honda could not export their product to international markets (except for Sri Lanka and Nepal)
- e) During 1999, the Hero group received a major shock as Honda announced the possibility of Honda Motorcycle & Scooter India (HMSI), which would initially manufacture scooters. By 2001, HMSI was set up at Manaser (Gurgaon) and started scooter production in India. This had certainly raised some doubts about the future of JV Hero Honda.

Period	Event
1984	HHML Joint venture was formed
1994	Revalidation of terms of contract by Hero & Honda
1999 to 2001	Honda Motors Japan introduces HMSI fully owner subsidiary
2004	Revalidation of terms of contract by the Hero & Honda
Oct~ Nov-10	Rumor about dissolution of HHML begins in unofficial circles
Dec-10	News of the Joint venture breaks out in the media
Mar-11	Company reveal details about royalty payments
Apr-11	Honda Motors completely exits the JV
2014	End of technology pact of the HHML deal

**Table 1.1:** Timeline of the Hero– Honda Motors Ltd (HHML) joint venture

Table 1.1 above, briefly summarizes the eventful journey of HHML over the years. The JV has its origin in the 1980s, but saw its true potential in the mid 90s and later years. This is the time when the Indian economy also witnessed a growth trend.

In the highly competitive market, both Hero & Honda wanted have a bigger market share. Honda (HMSI) became a direct competitor for HHML. Both offered similar products, though not entirely same product lines.

Earlier when TVS split from Suzuki in a joint venture for TVS to establish itself it took quite some time will that be the same case with Hero. The questions are open to Hero but the management is smart, strategic enough, experienced and veteran. Hero strategically bought 26% share from Honda at discounted price to the market rate, but also have gained expertise and knowledge over the Japanese technology during their operations of 26 years. There was out rightly no need to piggyback brand name Honda anymore which came with a huge royalty fee. The technology shared by Honda has now been learned and mastered by Hero during their long 26 years Joint venture. The profits were now merely shared for customers' sake for they love and proud feeling to see the two names HERO and HONDA together on their two wheeler. Although, the association of the two brand names was giving maximum sales volumes.

Honda has already entered in the Indian market separately as Honda Motorcycle and Scooter India, Private Limited (HMSI) is the wholly owned Indian subsidiary of Honda, Japan. HMSI founded in year 1999, it was the 4th Honda automotive venture in India, after Hero Honda, Kinetic Honda Motor Ltd and Honda Sael Cars India. The entry of Honda into the Indian market as HMSI began with the launch of the product Honda Activa, as a 100 cc scooter.

Honda (HMSI) is also expanding its market share. Honda is market leader in the scooter segment. Hero will be facing challenges to maintain its market share and successive growth under "Hero" brand in the two wheeler market. Hero though has enough marketing potential and plants for manufacturing two wheeler is still lacking in indigenous technology.

Both companies saw separation as an opportunity to increase their volumes significantly. In April 2011, just post the separation; Hero MotoCorp controlled a 50.81% share of the Indian two-wheeler market while Honda had just 13.29% share. [3]

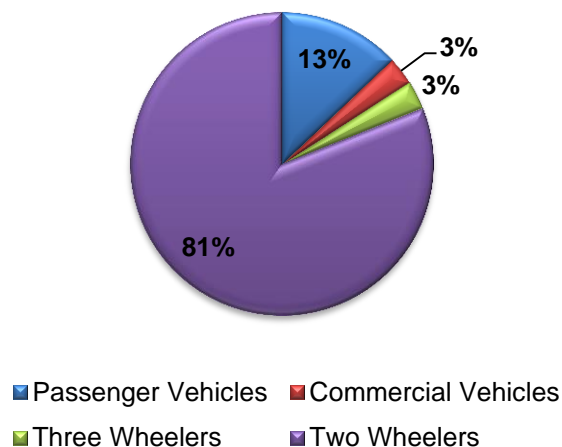
The data was clear in formulating the plans – Hero cannot grow any further in In domestic market and had to work both at defending its share and on expanding its wings outside India. On the other hand, Honda had a huge growth opportunity in India.

While this is on one side, will find out what will be the reaction of the customer toward this split & their satisfaction level? How will the customers align or orientate after the split of this joint venture.

## 1.2 The Two Wheeler Industry in India

The automobile industry in India accounts for 22% of the country's manufacturing gross domestic product [1]. The two wheeler industry in India is highly active. Post liberalization in 90s, automobile has been on the list of high potential growing industries of India. The Indian automotive industry consists primarily of five segments: commercial vehicle, Passenger cars, multi utility vehicles, two wheelers, three wheelers and tractors.

**Domestic Market Share FY15**



**Figure 1.1:** Domestic Market Share FY15 (Source SIAM) [2]

The Indian two wheeler industry which is the largest in world in terms of volumes, had proven positive volume growth in the last three years (2011~14) even when some of the other automobile segments such as passenger vehicles

and commercial vehicles faced volume contraction in at least one of the last three fiscals.

Category	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Growth YOY
Passenger Vehicles	23,57,411	29,82,772	31,46,069	32,31,058	30,87,973	32,20,172	4.28
Commercial Vehicles	5,67,556	7,60,735	9,29,136	8,32,649	6,99,035	6,97,083	-0.28
Three Wheelers	6,19,194	7,99,553	8,79,289	8,39,748	8,30,108	9,49,021	14.33
Two Wheelers	1,05,12,903	1,33,49,349	1,54,27,532	1,57,44,156	1,68,83,049	1,84,99,970	9.58
Grand Total	1,40,57,064	1,78,92,409	2,03,82,026	2,06,47,611	2,15,00,165	2,33,66,246	8.68

**Table 1.2:** Domestic Automobile Production Trend (Source SIAM) [2]

Indian automobile industry manufactured a total of 23,366,246 vehicles including passenger vehicles, commercial vehicles, three wheelers and two wheelers in FY-15 as against 21,500,165 produced during FY-14 thereby registering a positive growth of 8.68 % compared to same period of last year.

Category	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	25.67	28.20	5.13	1.34	-6.06	3.90
Commercial Vehicles	38.66	28.57	18.19	-2.01	-20.22	-2.83
Three Wheelers	25.92	19.44	-2.42	4.87	-10.81	10.80
Two Wheelers	25.99	25.59	13.94	2.89	7.32	8.09
Grand Total	26.44	25.91	12.15	2.49	3.54	7.22

**Table 1.3:** Growth rate (in per cent) of Automobile Domestic Sales Trends in various segments in the automobile industry (Source SIAM) [2]

The table 1.3 above shows growth rate (in percentage) of automobile sales in India. Sales have steadily grown over the years.

Indian two wheeler automobile market used to be controlled by few domestic players like Hero, Bajaj, Honda, TVS, Yamaha, Mahindra, Suzuki, etc. But post liberalization many foreign companies have entered into the Indian market by giving tough competition to the Indian player and created new market of some segments like automatic scooter/ premium bikes.

An expanding middle class income, a youth population and an increasing interest of the companies in exploring the rural markets have made the two wheelers segment popular economical commuting option (with 80 % market share) as the leader of the Indian automobile market.

India being the second largest growing economy with huge consumer class has resulted in two wheeler automobile sector as the growing industries. Hero & Honda the two companies have been maintaining the lead in the two wheeler segment with Hero being as a leader in almost all the categories.

During the initial phases manufacturers like Bajaj, Hero Honda, LML and TVS were the major players in the two wheeler automobile markets, accounting for no less than 90% of the market, two wheeler is manufactures as a luxury product. Then, after the liberalization, entry of foreign players like Honda, Suzuki, Yamaha & Kawasaki offered new exiting products and today, these players control the major section of the two wheeler automobile industry

Two wheeler automobile market is growing fast because of rise in the living standards, easily available finance options at low interest rate and wide range of product choice, as many global players are entering in the market. With the increase in income levels, easy availability of finance options, Youth population, women empowerment, and increase in consumer awareness result for increase in demand for the two wheelers significantly. Two wheelers are now no longer considered as luxury, it has become an important need for most of the people.

For the fiscal FY 15 sales of the two wheelers in the scooter segment performed well. Total sales were grown up by 8.09 % for the 2014~15 fiscal at 1, 60, 04,581 units which is up from 1,48,06,778 units in 2013~14. Motorcycle sales for the fiscal FY 15 were up 2.50 % to 107,43,549 units from 104,81,115 units sold in 2013~14. Scooters, however shown a robust growth of 25.06 % during FY15 at 45,05,529 units as compared to 36,02,743 units in FY14. [2]



For the FY 15, overall automobile exports grown by 14.89% as compared to the same period last year performance. Two Wheelers grown by 17.93 % respectively during FY 15 over the same period performed last year. [2]

The motorcycle sector is feeling the heat of slowing sales at the end of FY15. Poor monsoons and a consequent fall in rural incomes have hit numbers but OEMs are hopeful that the situation will improve in 2015~16. FY 2015~16 will see a lot of push for 'Make in India' and can witness a lot of players setting their manufacturing base here. Also the dynamics of the industry will change based on the acceptance of new products line and categories.

### **1.3 Company profile: Hero MotoCorp Ltd (HMCL)**

1984 is the year of incorporation in India. Hero MotoCorp Ltd (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two wheelers based in India. Hero is expanding his footprint at fast pace across Asia, Central & Latin America and Africa. More than 50 million two wheelers sold (cumulative sales since beginning) making world's fastest two wheeler company to achieve this record. Annual turnover for FY 14 for the Hero was 4 billion dollar.

Hero has 40.3% market share (FY 15) in the domestic two wheeler market. In FY 15 the company recorded total sales of 66,31,826 units, a growth of 6.17 % (FY 14, 62.45 million).[4]

- Vision: The vision of Hero Honda was making mobile and an empowered India which is powered by its two wheelers. Now Hero MotoCorp Ltd.(new identity), reflects its commitment of providing world class economical mobility solutions with improved focus on expanding company's footprint at global platform.
- Mission: Hero mission is to become a global enterprise by satisfying its valuable customers' needs and desires for mobility, setting benchmarks in vehicle technology, quality and styling so that it converts its customers into its brand advocates. The company will provide a pleasing

environment for its workforce to perform to their best true potential. It will continue its focus on core value creation and lasting relationships with its channel partners.

- Strategy: Hero main strategies are to develop a robust product portfolio across various categories, explore growth opportunities and expansion globally, constantly improve its operational efficiency, aggressively expand company reach to their valuable customers, continue to invest in brand building events and guarantee customer and shareholder interest.
- Brand: The Hero is rising and is dignified to shine on the global platform. Company's new identity is truly reflective Hero vision to strengthen focus on mobility solutions with advance technology. Building and promoting new brand identity will be core focus to all its initiatives by utilizing every opportunity and leveraging its strong presence across promotional activities like sports, entertainment and ground-level activation.
- Product range: Hero offered wide ranges of two wheelers with over 20 different products across the 100 cc, 125 cc, 150 cc, 225 cc and scooter categories.
- Operating locations: 4 world class manufacturing locations: Dharuhera, Gurgaon, Haridwar, Neemrana. The combined annual installed capacity to over 7.6 million units per year. [7]
- Enhancing reach: Company has the most widespread customer reaches with 6000+ pan India touch points with deep rooted presence across 1,00,000+ villages. It includes a mix of authorized dealerships, service & spare parts outlets and dealer appointed outlets across the country. [5]

Hero overall has its leading position in the motorcycle segment is primarily the outcome of its dominance in the 100 cc bike segment, where it enjoys an over 70 % market share. HMCL sells its products in 19 countries. Hero is targeting for 10 % of total sales from the overseas markets. Hero MotoCorp Ltd has set a vision of cumulative sales target of 100 million units by 2020. [7]

#### **1.4 Company profile: Honda Motorcycle & scooter India Pvt. Ltd (HMSI)**

Honda was founded in the late 1940s by the company founder Soichiro Honda first began manufacturing piston rings before turning his attention to develop inexpensive motorcycles. Mr. Honda always had a passion for the engineering and this became evident by the wild sales success of Honda motorcycles in the 1960s and by competing one-on-one against the world's best on racetracks.

Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI) is 100% subsidiary of Honda Motor Company Ltd (Japan) established in 1999. HMSI is currently the second largest two wheeler company in India. HMSI has a plan to increase its overall production capacity to reach 6.4 million units by 2016. [6]

- Product range: HMSI offer ranges of two wheelers manufactures in India with over 16 different products across the 110 cc, 125 cc, 150 cc, 250 cc and scooter categories.
- Operating locations: HMSI two wheelers are manufactured across 3 globally benchmarked manufacturing facilities. First manufacturing unit is based at Manesar which is located in the state of Haryana in northern India. The Second manufacturing plant is based at Tapukara, Rajasthan & third & the latest manufacturing plant is based at Narsapura, Karnataka.
- Marketing Strategy: HMSI is working on the 3C strategy. The first C is communication, company focus to translate our global slogan 'Power of Dreams' into a language that is followed by the masses in India - 'Sach kar denge sapne' is being used in local languages as per the region. The second C is Connect; with Indian buyer to have a very good balance of emotional and rational connect. Indian customers evaluates the product on looks and price, as well as emotional connect through messages and communication of the brand. HMSI also increasing their own network - from 1500 touch points last year, to more than 2000 by the end of this fiscal year. The third C is Creation, creating products with an aim. HMSI focus on keep giving innovative technology to customers. [8]

### **1.5 Statement of the Problem**

Two wheeler markets is growing and manufactures are competing with each other by offering products equipped with features, technology, best class mileage and lucrative offerings. Manufacturers of a two wheeler are always looking for ways to attract customers by having a better understanding of customer changing preferences. The ever changing conditions of market characteristics have huge impact on corporate decisions. The global environment also poses numerous complications to marketer in understanding the exact market requirement. To face the rigid competition promotional activity are inevitable and companies are spending huge money on it.

The attitude of consumer on the strategy, overall perception and preferences on their buying decision for Hero products after separation from Honda and to understand satisfaction level for a two wheeler as a product is the core issue identified from study.

### **1.6 Objectives of Study**

As part of this project, we will be concentrating our analysis on the following focal points

1. Study Market share of each brand (Hero, Honda & Other Competitors)
2. Study of Motorcycle share of each brand (Segment wise)
3. Study of Scooter market share
4. Study on consumer preferences/ perception (Focus on Hero & Honda)
5. Study on impact of brand on buying pattern.
6. Study on factors affecting buying decisions.

The intention of this study is to identify whether separation of Hero from Honda is impacting their customer attitude & identifying factors for their growth & competition.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 Value to the Company**

Hero MotorCorp is the world largest two wheeler selling company for more than 13 years in a row. Customers would prefer to have brands from Hero – Splendor, Passion, Glamour, Ignitor, Hunk, Xtreme, Karizma, Pleasure, Maestro because they are Honda based technology? or because of the way these products are positioned in the market?

One big differentiation between Hero Honda and other automobile companies are the volumes and strong brand recall. Holding core customer group will be the incremental challenge for the Hero group apart from cut throat competition.

It will be a challenge for Honda (HMSI) also to compete with robust Hero's marketing strategy and distribution network and a challenge to Hero will be to live up to the expectations of existing & potential customers at technology level.

#### **2.2 Two Wheelers Manufacturers - Growth Factors**

- The latest two wheelers are fitted with economic engines and features
- The income level of customer has increased
- The options of financing has become easier and user friendly
- The taxes, excise, and other duties have been lowered by the Government
- The Young generation is using more two wheelers

Major growth trends have been seen in the motorcycle segment over the last decade. The main reason for such increase in demand for motorcycles is due to its resistance and good balance even on bad road conditions. Most of the rural belts in India do not have decent roads condition and hence the need for good, shock resistant and steady two wheelers had been felt. [10]

### **2.3 Main factors that affect two wheeler sales in India**

The demand for two wheelers is influenced by a number of factors, main factors are as follow:

- Steady growth in per capita income
- Inefficient public transportation system, especially in the semi urban and rural areas
- Constant fuel prices: Now, the government of India cuts subsidies on kerosene and diesel which will keep petrol prices at more or less the same level as per international crude oil price rate.
- Increased availability of low interest rate financing options
- Availability of fuel efficient and low maintenance vehicles
- Changes in the demographic profile
- Increasing number of models and product features

The two wheeler market in India is growing due to its technological advancements in product manufacturing and emphasis on design innovation.

### **2.4 Review of literature**

Literature review is one of the primary sections of every project. The very basic drive of the literature review is to gain insight on the theoretical background of the research problem and developing further research methodology.

In "*Marketing Research: An Applied Orientation, 6<sup>th</sup> Edition*" Naresh K Malhotra has guided on how we can do research by the use of several steps of research method, type of research selection and how to develop & test of Hypothesis.

In "*Marketing Research*" Rajendra Nargundkar has guided on how to design and structure the questionnaire in order to avoid common errors while gathering facts from the respondents.

In “*Consumer Behaviour*” Schiffman G.Leon., examined the Consumer perception of product stimuli and its consequence in product development.

In “*The future of Hero MotoCorp: a study on the customer preference towards hero two wheeler after the termination of Hero Honda*” V. Devaki & Dr. H. Balakrishnan, has expressed customer preferences with specific location to Coimbatore city after split of Joint Venture. [11]

In the “*End of an Era: Dissolution of Hero Honda Motors Ltd (HHML)*” Dhiren Jotwani & Dr Deepak Shrivastava has shown about various challenges to be faced by the both companies, Hero & Honda after the separation. [12]

In “*Study of Customer Perception after separation of Hero & Honda*” Mukesh B Ahirrao has shown customer preferences with specific reference to the firozpur city after the split of Joint Venture. [13]

In “*Consumers Behaviour towards Two-Wheeler Motor Bikes*” Dr. K.Mallikarjuna Reddy explain about the main factors influencing consumer behavior towards two wheeler purchase consideration. [14]

## **2.5 Factors which influences on the buying behavior of the consumer**

Consumer behavior is influenced by various variables ranging from his/ her personal & professional requirements or needs, attitudes & values, personality characteristics, social & cultural background, gender, age, economical and professional status to social influences of various kinds applied to a family, friends, colleagues and society as a whole.

There are four major factors which influences on the buying behavior of consumer.

Cultural factors: Cultural factors can be defined as the combination of learned belief customs and values that serve to guide and direct the consumer behavior

of all members of that environment and society. Cultural is a learned through the following three ways:

1. Formal learning method
2. Informal learning method
3. Technical learning

Cultural is a most vital element of consumer wants and behavior, the growing child obtains a set of values, preferences, perceptions and behavior through his parents, family and key institutions.

Social factors: Consumer behavior is also influenced by social factors which may be reference groups, family and social roles and status.

Psychological Factors: Consumer buying choice is also influenced from major psychological factors like learning, motivation, personal beliefs, perception, learning and attitudes. The Maslow's hierarchy of human needs and want make us understand the consumer motivation factors. It is useful for the marketer to recognize what basic level factors a brand is capable for satisfying the need and accordingly position brand USP with relevant marketing inputs.

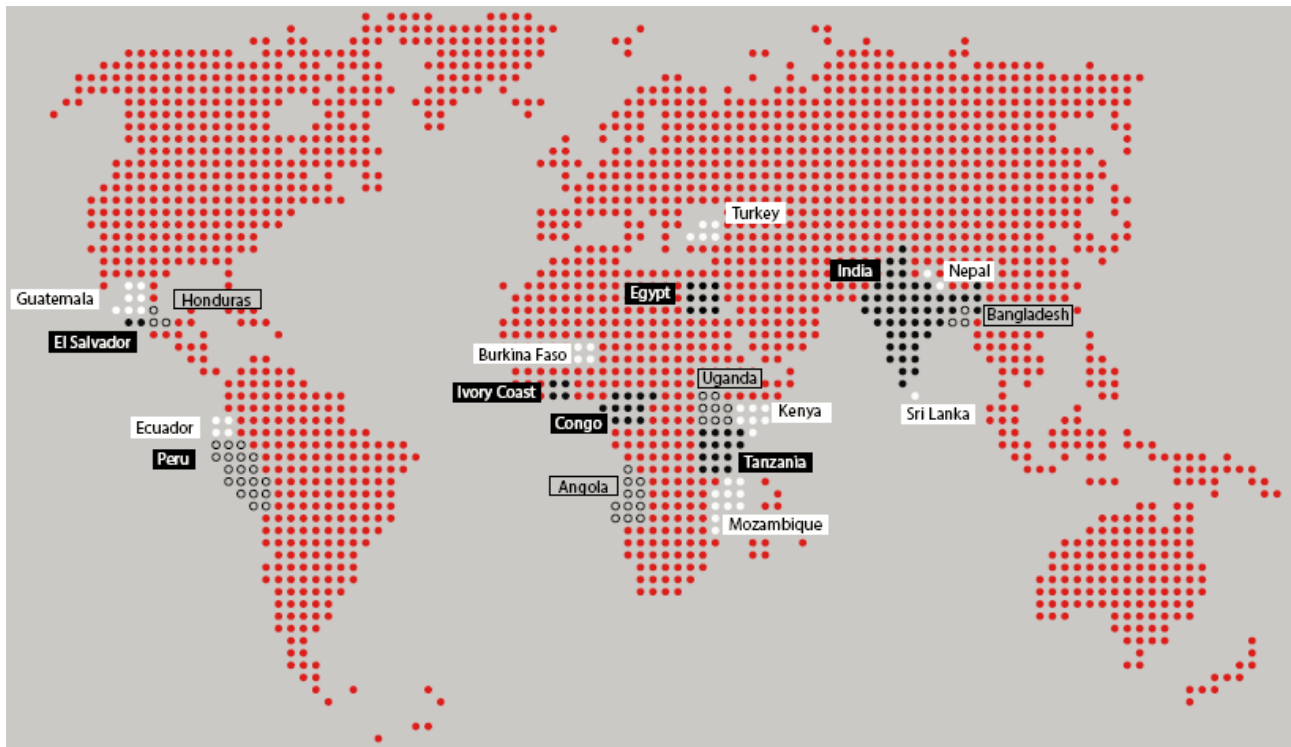
Personal Factors: Consumer decisions are also influenced by consumer age group, personal characteristics, product life cycle stages, profession, economic conditions, personality, living lifestyle.

## **2.6 Hero MotoCorp Export Market**

After separation from Honda, now Hero expands its footprint to South Asia, Africa, Central and Latin America, with a presence in Europe via Turkey. Hero MotoCorp also tied up joint ventures in critical markets and has kick started overseas assembly operations so as to serve customers in select markets faster rate.



The first such action of Hero has come up in Kenya. Separate equity ventures with local firms in Bangladesh and Columbia are also in place.



**Figure 2.1:** Hero MotoCorp Global footprint (Source Hero Moto Corp Annual report FY 14)

In addition to the domestic market, Hero products are sell in Sri Lanka, Nepal and Bangladesh in Asia region; the trans-continental nations of Egypt and Turkey, Tanzania, Kenya, Mozambique and Uganda in East Africa; Burkina Faso, Democratic Republic of Congo, Ivory Coast and Angola in West Africa; Ethiopia in North Africa; Ecuador, Peru and Colombia in South America; and Guatemala, El Salvador, Honduras and Nicaragua in the Central America.

The vision of Hero is to raise its footprint and base in as many as 50 countries by 2020.

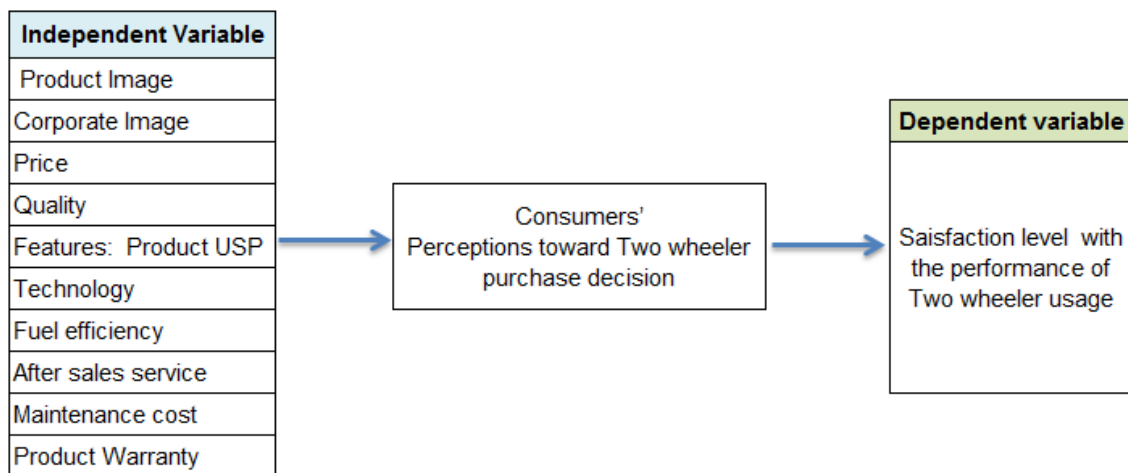
## Chapter 3

### RESEARCH METHODOLOGY

#### 3.1 Conceptual frame work

Variables identified for the study, which may influence consumer attitude towards purchase decision for selecting a two wheeler are:

1. Product Image
2. Corporate Image
3. Price
4. Quality
5. Features: Product USP
6. Technology
7. Fuel efficiency
8. After sales service
9. Maintenance cost
10. Product Warranty



**Figure 3.1:** Conceptual Framework

Perception refers to an opinion formed about a product or brand on reception of a stimulus. Perception helps in determining attitude.

Attitude is the cognitive process which involves a positive or negative valences, feelings, approach or emotions.

### **3.2 Hypothesis**

In this study following hypothesis are tested:

H01: Product image is not significant factor in the determination of satisfaction level of a two wheeler performance.

H02: Corporate image is not significant factor in the determination of satisfaction level of a two wheeler performance.

H03: Price is not significant factor in the determination of satisfaction level of a two wheeler performance.

H04: Quality is not significant factor in the determination of satisfaction level of a two wheeler performance.

H05: Features: Product USP is not significant factor in the determination of satisfaction level of a two wheeler performance.

H06: Technology image is not significant factor in the determination of satisfaction level of a two wheeler performance.

H07: Fuel efficiency is not significant factor in the determination of satisfaction level of a two wheeler performance.

H08: After sales service is not significant factor in the determination of satisfaction level of a two wheeler performance.

H09: Maintenance cost is not significant factor in the determination of satisfaction level of a two wheeler performance.

H10: Product Warranty is not significant factor in the determination of satisfaction level of a two wheeler performance.

### **3.3 Scope**

As part of this project we have limited ourselves to study strategy of Honda Motorcycle and Hero MotoCorp two wheelers only. Survey conducted with the end customers to get the companies strategies against the customer attitude & preferences towards perception about two wheeler and overall satisfaction level.

### **3.4 Research Methodology**

Research methodology is considered as the nerve of the project. It is difficult to complete the research project without a well-organized research plan so as to reach to any conclusion. The project is created on the survey plan, frame work and methodology. The core objective of survey is to collect right data, which work as the base for finding conclusion, inferences and getting result.

Therefore, research methodology is the technique to methodically solve the research problem. Research methodology not only talks of the methods but also logic behind the methods used in the context of a research study and it explains why a particular research method has been preferred than other methods.

#### **3.4.1 Research design**

Research design is significant mainly because of the increased complication in the ever changing market conditions and to find new marketing methods available to the researchers. It is the key to the evolution of effective marketing strategies and significant tool to study consumer behavior, its consumption pattern, Loyalty toward brand and to understand target market scenario.

After choosing the subject, company & the area to conduct research, decided to establish the important factors upon which the entire project is to be based.

At the outset the objectives of the project were identified. Thereupon the research was undertaken upon consideration through the survey and the analysis & interpretation of the findings of the survey.

#### **3.4.2 Descriptive Research Design**

For the study purpose we have used Descriptive research design:

This research is the most generally used and the basic reason for carrying out descriptive research is to recognize the cause of something that is happening.

Quantitative research involves collection of data, numerical interpretation and statistical inferences.

### 3.4.3 Data Collection Methods

One of the essential requirements for conducting the market research is the availability of required and useful data. The data collection for the study would be done through using short & structured questionnaire. The questionnaire would be designed to capture the basic demography profile (Gender,, age & marital status), Who owned two wheeler (Hero and/or Honda) or considering purchasing two wheeler and mode for sampling is considered as convenience sampling

### 3.4.4 Primary Data

To increase the responses on surveys, both electronic and manual methods are planned to use. A sample size of 150 is considered to be adequate for the study. Questionnaire is prepared for extracting information from the end customer. Focused on customers who owned a two wheeler or considering purchasing a two wheeler. Questionnaire developed has two sections:

Part 1: To assess customer perception towards the two wheeler brand consideration

Part 2: Demographic profile of the user

### 3.4.5 Target

- Personal discussion (Hero Gurgaon & Dharuhera Plant ): Target 15
- Customers interacted at Hero Dealer at Delhi & Gurgaon region: Target 15
- Online survey conducted (survey link sent to Hero employees, Friends): Target 120; Online Survey Link:

[https://docs.google.com/forms/d/1Rdy1CO\\_wcmMMqmdmgKh3Gt\\_rqTJdit4p2T-XV3-uJ9c/viewform?usp=send\\_form](https://docs.google.com/forms/d/1Rdy1CO_wcmMMqmdmgKh3Gt_rqTJdit4p2T-XV3-uJ9c/viewform?usp=send_form)

- Survey conducted form 23<sup>rd</sup> March 15 to 5<sup>th</sup> April 15.

### 3.4.6 Secondary Data

Secondary source data were collected from text books, past researches, newspapers, journals, literature studies and world-wide-web pages.

### 3.4.7 Sample Size, Sampling method, Scale used

#### Sample Size

- 156 respondents for the purpose of study from New Delhi & NCR region
- 126 responses from online survey and 30 responses collected through personal interview.

#### Sampling Unit

It is the element, which is considered for the selection of respondents to be surveyed. Here target population is actual customer and/ or potential customers consider to purchase a two wheeler and sampling frame is established so that every respondent in the target population has known chance of being sampled.

#### Sampling Method

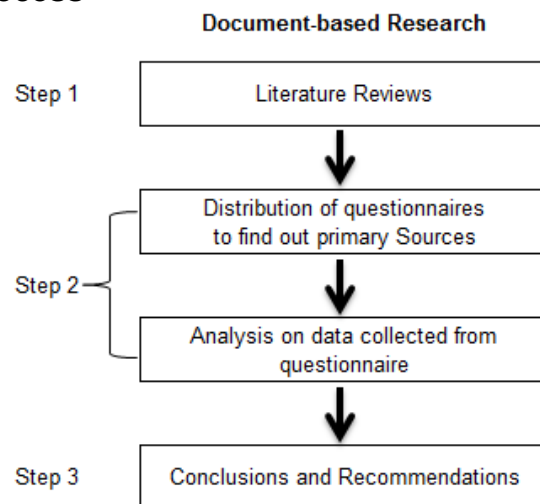
Non-probability sampling method: convenience sampling technique

#### Scale Used

The questions assessing respondent attitudes used Likert Scale (1-5), in questioner statements were given to respondents to measure level of satisfaction towards product feature, product performance, etc

Example: "1" - Very dissatisfied, "2"- Somewhat dissatisfied, "3" - Neither satisfied or dissatisfied, "4" - Somewhat satisfied and "5" - Highly satisfied

### 3.5 Research Process



**Figure 3.2:** Research Process

There are 3 steps illustrated in this research process in the figure 3.2. The first basic step is the study program begins with literature reviews. The second step is the distributing survey questionnaires to the sample groups for the collection of primary data and analyzing data collected from questionnaires. The final and the third step are to find conclusions and recommendations.

## Chapter 4

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Method of Data Analysis

The statistical analysis includes descriptive statistical analysis and frequency distribution. Descriptive frequency statistics was used to describe and analyze all parts of questionnaire. Data collection and analysis of the factors based on the likert scale (1~5). Using SPSS, regression analysis was carried for the hypothesis testing. The main steps of data processing which were implemented were Editing, Coding, Transcribing and Summarizing statistical calculations.

#### 4.2 Data Study- Secondary Source

In the secondary analysis we generally use available related reference data, which is collected for the purposes to develop a research framework prior to starting a study so as to follow an interest in the research, which is different from that of the earlier work carried on similar research subject: this may be an alternative perspective on the original problem statement or a new research objective.

Data analysis from secondary resources carried to understand the change in the market share, growth pattern after the termination of a joint venture between Hero & Honda (Hero Honda). How the brand Hero (Hero MotoCorp Ltd) succeeds to maintain its market leader position & expansion at global platform and what are the growth strategies of HMCL and HMCI as a competitor.

Globally, the Japanese multinational manufacturer of automobiles (Honda) sold some 17 million motorcycles in the fiscal year ending March 31, 2014. [15]

Hero Moto Corp has a Vision 2020, annual two wheeler sales of 12 million, presences in more than 50 countries, More than 20 manufacturing and assembly plants globally and turnover of 60,000 corers. [16]



Hero MotoCorp retains its No. 1 positions as single largest manufacturer in volumes globally since 2001. [16]

#### 4.2.1 Two Wheeler Industry (Domestic)

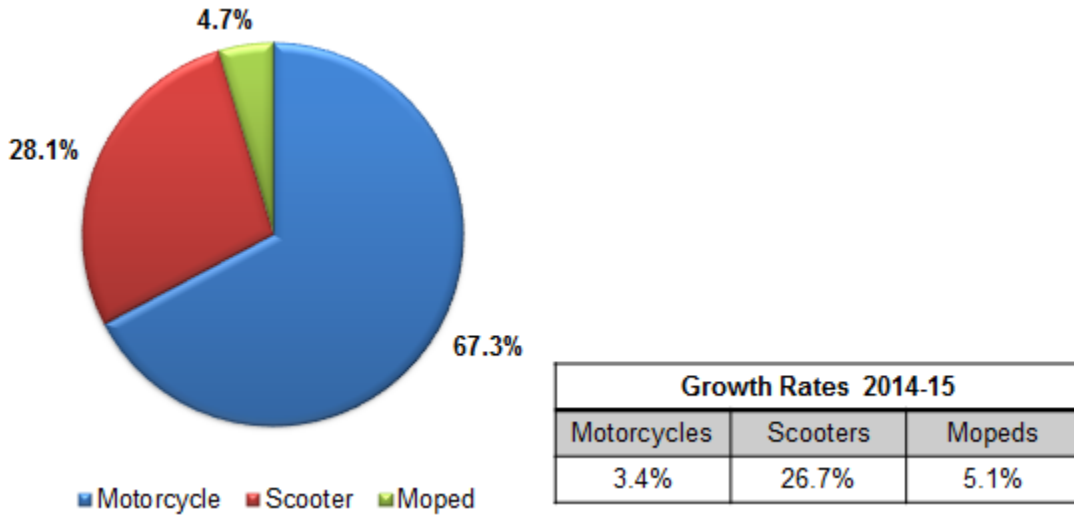


Figure 4.1: Segment wise market share FY 15, (Source SIAM) [2]

#### 4.2.2 Overall Growth (Two Wheeler FY 15)

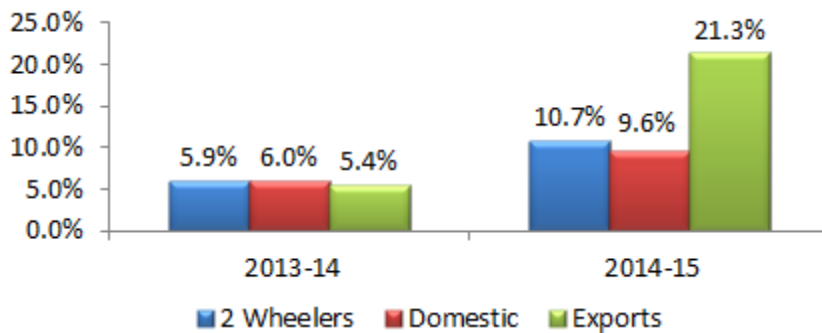


Figure 4.2: Overall growth Two wheeler FY 15, (Source SIAM) [2]

#### 4.2.3 Domestic Growth

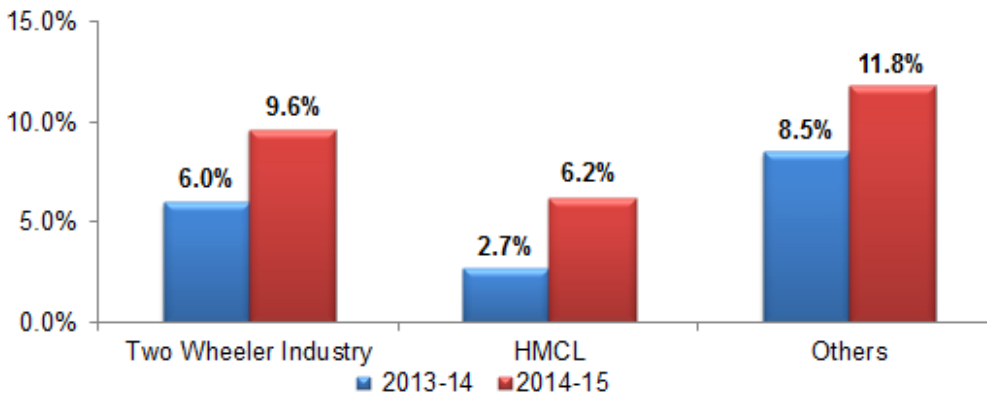
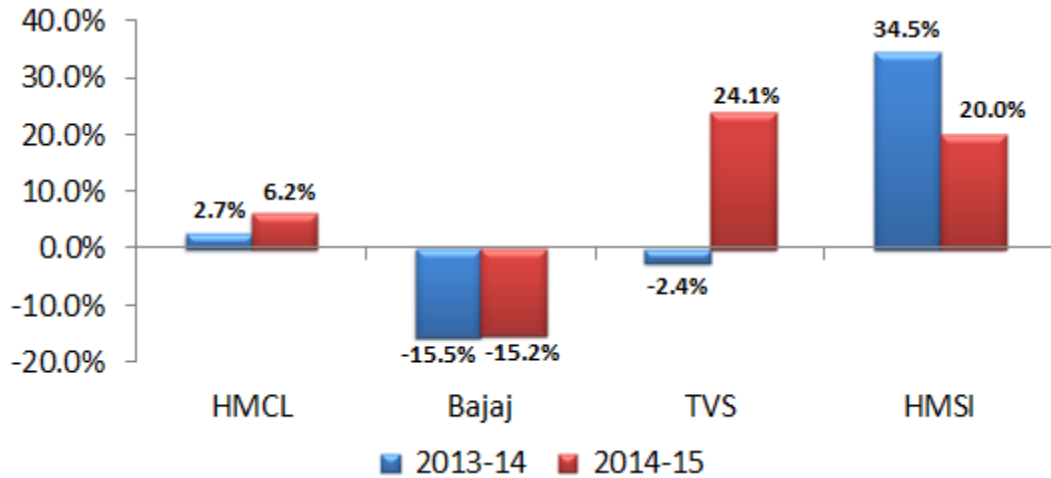


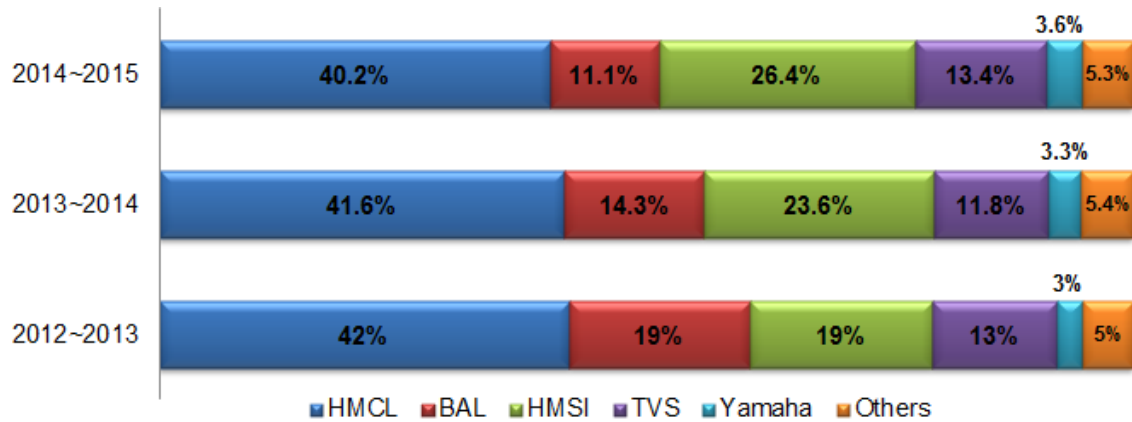
Figure 4.3: Domestic growth trend Two wheeler FY 15, (Source SIAM) [2]

#### 4.2.4 Domestic Two Wheeler Sales Growth (Manufacturer wise)



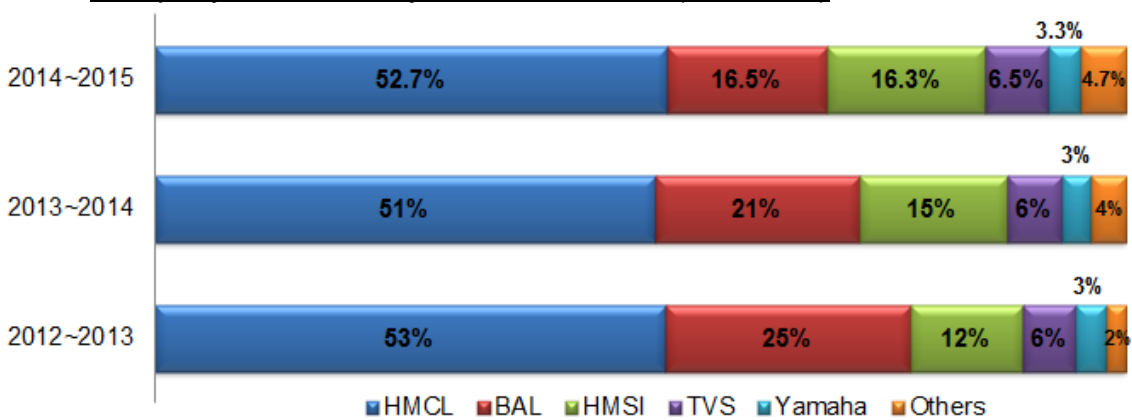
**Figure 4.4:** Domestic growth trend Two wheeler FY 15, (Source SIAM) [2]

#### 4.2.5 Two Wheeler Market Share (Domestic)



**Figure 4.5:** Two Wheeler Market Share (Domestic) manufacturer wise, (Source SIAM) [2]

#### 4.2.6 Company-wise Motorcycle Market Share (Domestic)



**Figure 4.6:** Company-wise Motorcycle Market Share (Domestic), (Source SIAM) [2]

#### 4.2.7 Company-wise Scooter Market Share (Domestic)

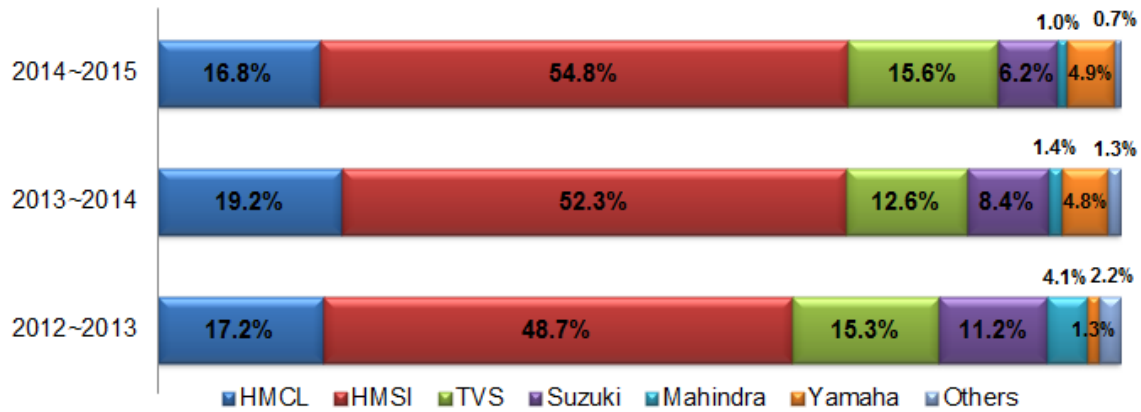


Figure 4.7: Company-wise Scooter Market Share (Domestic), (Source SIAM) [2]

#### 4.2.8 Segment-wise Break Up (Domestic)

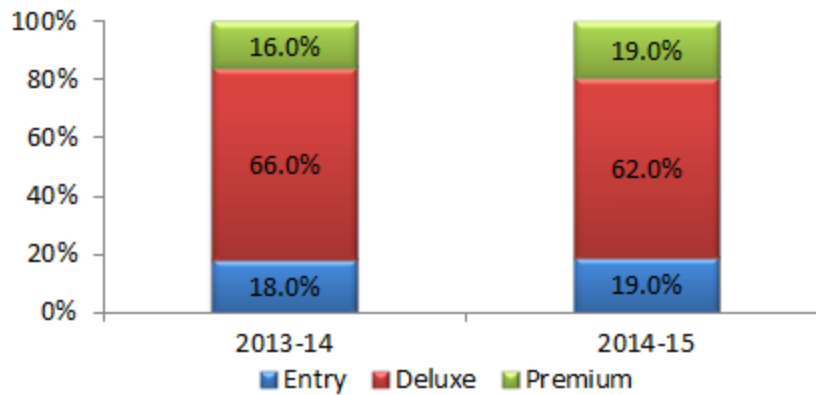


Figure 4.8: Segment wise breakup (Domestic), (Source SIAM) [2]

#### 4.2.9 Two Wheeler Perception Map

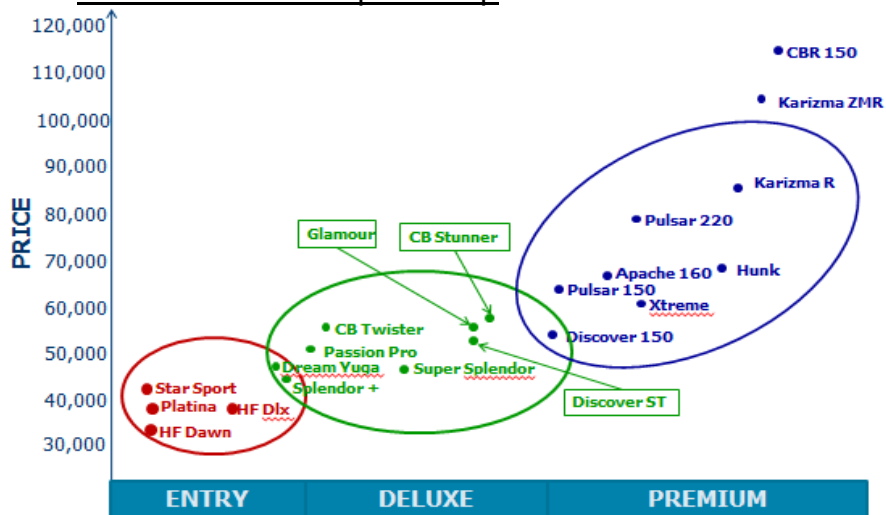


Figure 4.9: Two Wheeler Perception Map

#### 4.2.10 Engine cubic capacity (CC) wise Market Share

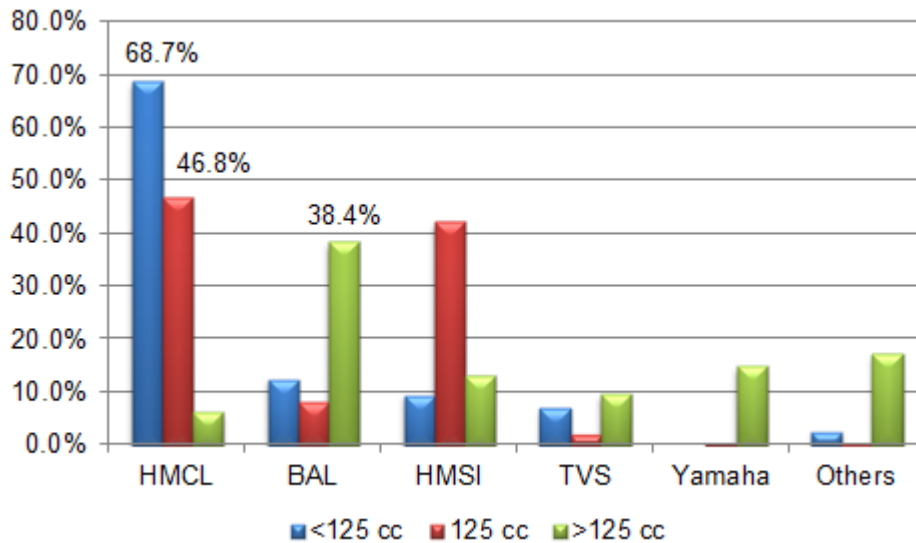


Figure 4.10: Engine cubic capacity (CC) wise market share

#### 4.2.11 Two Wheeler Domestic Sales FY 15

Indian Two-wheeler Domestic Sales FY 2014-15				
	Scooters	Growth (%)	Motorcycle	Growth (%)
April '14	3,29,680	26.08%	9,11,908	8.06%
May '14	3,57,564	34.48%	9,84,469	11.71%
June '14	3,23,178	25.15%	8,76,196	9.63%
July '14	3,72,136	37.10%	8,59,290	6.17%
Aug '14	3,69,323	30.44%	9,10,312	14.45%
Sep '14	4,38,470	37.99%	10,56,509	19.34%
Oct '14	3,83,885	10.89%	10,08,761	-8.73%
Nov '14	3,86,547	26.49%	8,53,254	-3.05%
Dec '14	3,74,159	24.01%	7,79,908	-3.52%
Jan '15	4,04,919	25.30%	8,68,507	-5.85%
Feb '15	3,70,527	18.78%	7,74,122	-8.22%
	March '15	March '14	Difference	Growth (%)
Hero Motocorp	5,31,750	5,24,028	7,722	1.47%
Honda Motorcycles	3,99,178	3,92,030	7,148	1.82%
TVS Motor Co	1,67,428	1,65,482	1,946	1.18%
Royal Enfield	32,854	23,170	9,684	41.80%
Mahindra two-wheelers	11,826	18,953	-7,127	-37.60%

Table 4.1: Two wheeler domestic sales FY 15 (Source SIAM) [17]

### 4.3 Interpretations from Secondary Data study

Followings are the findings & the observations from the secondary data source.

- Two wheeler market share- Motorcycle: 68%, Scooter: 27%, Moped: 5%.
- Market share of scooter is continuously increasing comparing to motorcycle. It has increased by 26% as compared to last year and motorcycle market has reported a growth of only 3.5% YoY.
- In terms of production of two wheeler market growth of 9.58% (domestic) is observed on YOY basis in FY-15.
- Hero MotoCorp (HMCL) is the world's largest two wheeler manufacturer by volume, has registered sales of 531,750 two wheelers during March 2015, up by a flat 1.47 % (March 2014: 524,028).
- Marking its highest ever annual sales for any fiscal year, in FY 2014~15 the company recorded total sales of 66,31,826 units, a growth of 6.17 % (FY2013-14: 62,45,960). [17]
- Honda Motorcycle & Scooter India (HMSI) has reported sales of 399,178 units (including exports) during March 2015, up by a flat 1.82% over 392,030 units sold in March last year. FY 2014~15 HMSI grew by 19.62%, including exports and the company sold a total of 44,52,010 units (2013-14: 37,21,942). [17]
- Hero MotoCorp is domestic market leader having overall two wheeler market share of 40.2 % (FY 15) followed by HMSI having market share of 26.4 %.
- Motorcycle market share (FY 15) for HMCL is 52.7 % and for HMSI is 16.3 %. Hero maintained its dominant position; however Honda recorded growth in motorcycle segment, which is a concern for Hero.
- In the domestic entry segment, HMCL is market leader with share of 55% followed by Bajaj auto (25 %), TVS (15%) & other (5%).
- In the deluxe segment, HMCL is market leader with share of 66% followed by HMSI (21%), Bajaj auto (7.5%).

- In the premium segment, Bajaj auto is market leader with share of 38% followed by Yamaha (15 %), HMSI (13.5%), TVS (10%), HMCL (6.5%).
- Growth in premium segment (motorcycle) of 18.75 % is observed in FY 15. Youth prefers premium bikes and new players KTM, Harley Davidson, Triumph motorcycles offers super premium bikes.
- The scooter market is growing at 28 % (FY 15). In the scooter segment HMSI is the market leader (FY15) with market share of 55% followed by HMCL (17%), TVS (15 %).
- Hero MotoCorp, which is No 2 scooter seller in India, is also aggressively adding production capacity. With the Neemrana facility on stream, the company is looking at Gujarat and Andhra Pradesh to set up new plants in the near future. Hero is also working on developing bigger scooters (110 cc scooter, 157cc ZIR models).
- Hero MotoCorp, exported a total 84,690 scooters in year 2014. This is an almost 5 and half time's jump over 2013 when it exported 15,776 scooters. HMSI (Honda) saw an 85 % rise in 2014 scooter exports to 79,184. [18]
- Looking at Motorcycles overall, Hero had started with a 57.48% share of the market in April 2011 while Honda controlled 6.98% of the Motorcycle market. Since then, Hero has lost significant market share while Honda has gained from Hero's lost share as well as from other manufacturers. Hero MotoCorp is still domestic market leader having overall two wheeler market share of 40.2 % (FY 15) followed by HMSI having market share of 26.4 %.

#### **4.4 Primary data analysis: Descriptive Statistics**

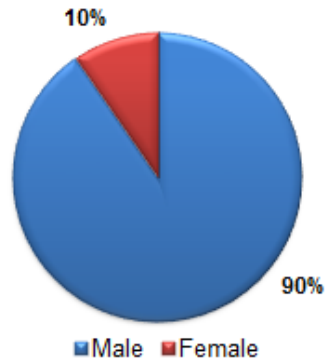
Primary research involves collecting data about a given subject right from the real world. Survey was conducted to know customer experience on the two wheeler products manufactured under the brand name of: Hero & Honda. 156 respondents were participated in the survey.

Descriptive statistics helped to analysis data and summarization of data in a meaningful way.

Followings are the findings & the observations from the primary data analysis.

#### 4.4.1 Demographics

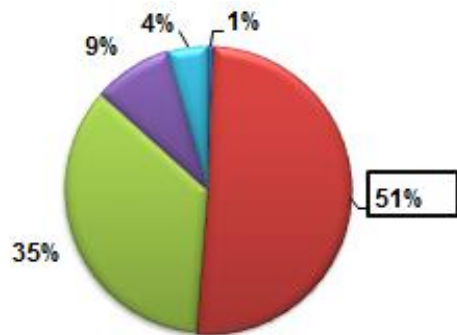
- Gender



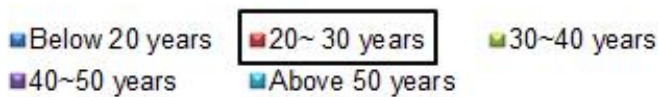
Male: 60 % liked Hero brand & 16 % liked Honda & 24% liked (other) brands

Female: 33 % liked Hero & 53 % liked Honda & 13% liked (other) brands

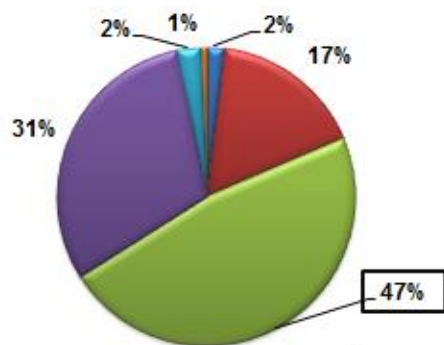
- Age



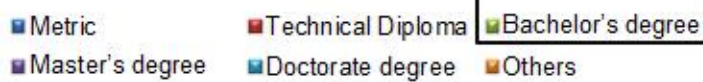
Among the age group; 57 % liked Hero Brand, 20 % liked Honda and 23% liked other brands. Good sign for hero as young age group from 20 to 40 years prefer to have Hero brand.



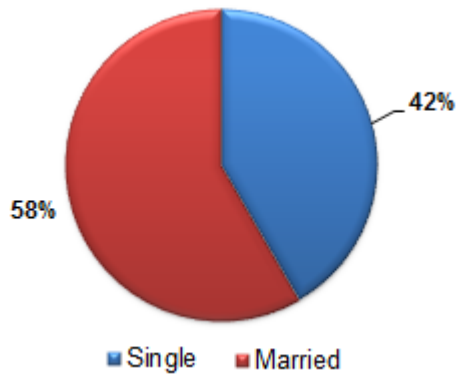
- Education



Education levels of consumer add awareness to know the brand better. However all age group preferred Hero as first choice and Honda as second.



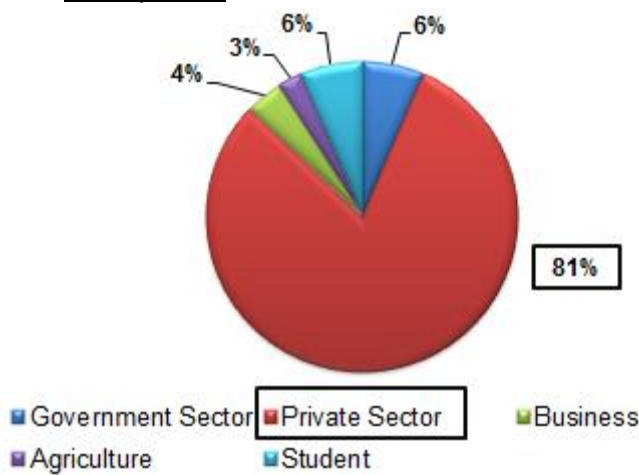
- Marital Status



Married: 67% liked Hero, 12% liked Honda & 21% liked other brands

Single: 43% liked Hero, 31 % liked Honda & 26% liked other brands

- Occupation

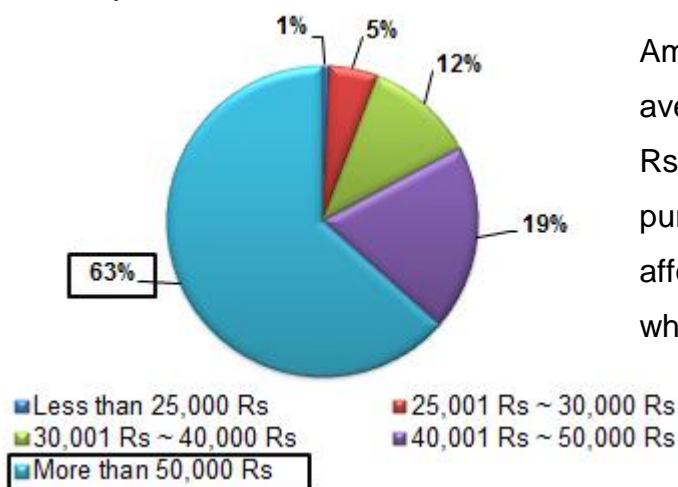


Private Sector: 60% liked Hero, 16 % liked Honda & 24% liked other brands

Government Sector: 50% liked Hero, 30 % liked Honda & 20% liked other brands

Business: 50% liked Hero, 30 % liked Honda & 20% liked other brands

- Monthly Household Income



Among the respondents 63 % have average monthly salary of more than Rs. 50,000. This indicated the purchasing power of consumer and affordable level to purchase a two wheeler.

Figure 4.11: Demographic factors

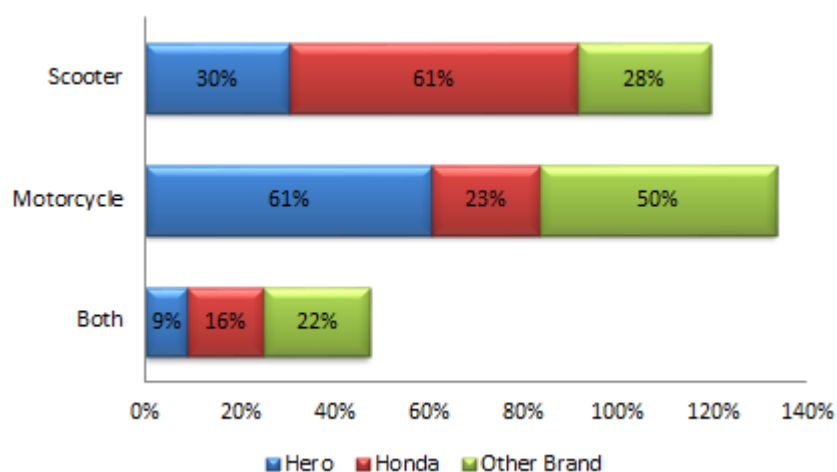


Inference: Customer's attitude has not changed much after separation of Hero from Honda. Among the demographic profile studied customers have faith & trust in the Hero because of which Hero is able to maintain the legacy of being world's no. 1 two wheeler company.

#### 4.4.2 Purchase consideration of two wheeler product by a customer

To assess customer perception towards the two wheeler brand consideration, Questions were framed to understand customer perception towards the two wheeler brand consideration, usage, and overall satisfaction level. Following are the findings

- Two wheeler segment purchase and Brand preference

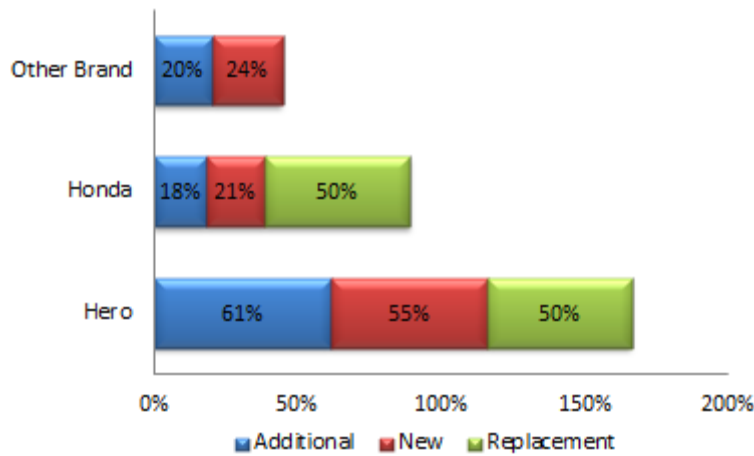


**Figure 4.12:** Two wheeler brand preference

#### Interpretation:

Customers give more preference to motorcycles for Hero (61 %) & Scooters of Honda is relatively more preferred (61%) Also from Secondary data analysis Hero has strong hold in market share of motorcycle and Honda has highest domestic market share in scooter segment.

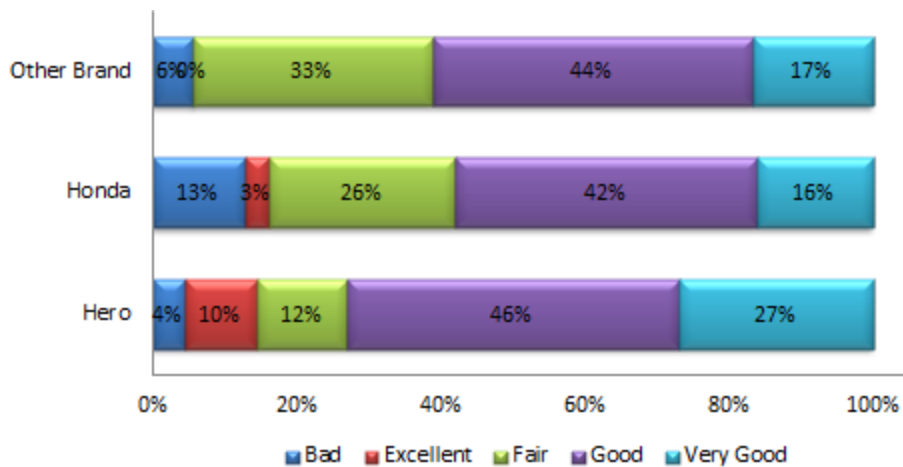
- Additional, replacement and new vehicle purchase consideration



**Figure 4.13:** Additional, replacement and new vehicle purchase consideration

Inference: Brand loyalty reflects toward Hero as customer preference form new (61%), additional (55%) and replacement (50%) of existing two wheeler products is more for Hero than Honda.

- After sales experience



**Figure 4.14:** After sales experience

Inference: Customers are satisfied with after sale experience and same would be impact in the selection for next two wheeler purchase consideration. 73 % customers rated Hero after sale experience as good and above. 58% customers rated Honda after sale experience as good and above

- Purpose of purchasing a two wheeler

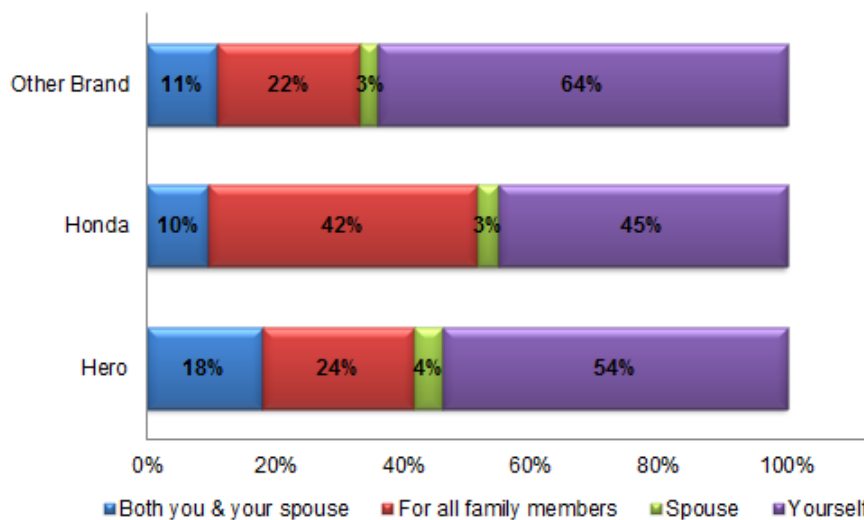


**Figure 4.15:** Purpose of purchasing a two wheeler

Inference: 45% customer preferred Hero products & 26% liked Honda for Commuting to work (Going to office/ factory). For office purpose, customers like more Hero two wheelers as compared to Honda.

19% customer preferred Honda & 10% liked hero product for Educational –going to school as Honda being an International brand & more popular among students.

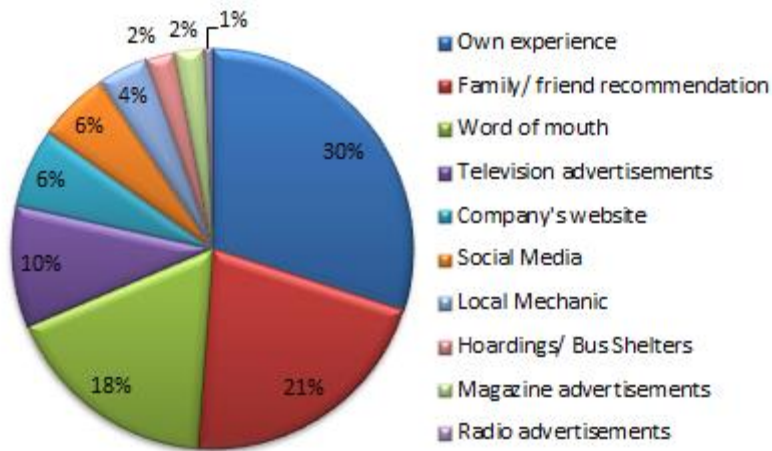
- Prime user of two wheeler



**Figure 4.16** Prime user of two wheeler

Inference: Prime user is the actual owner (54%) of a two wheeler product and 26% usage is by all family members.

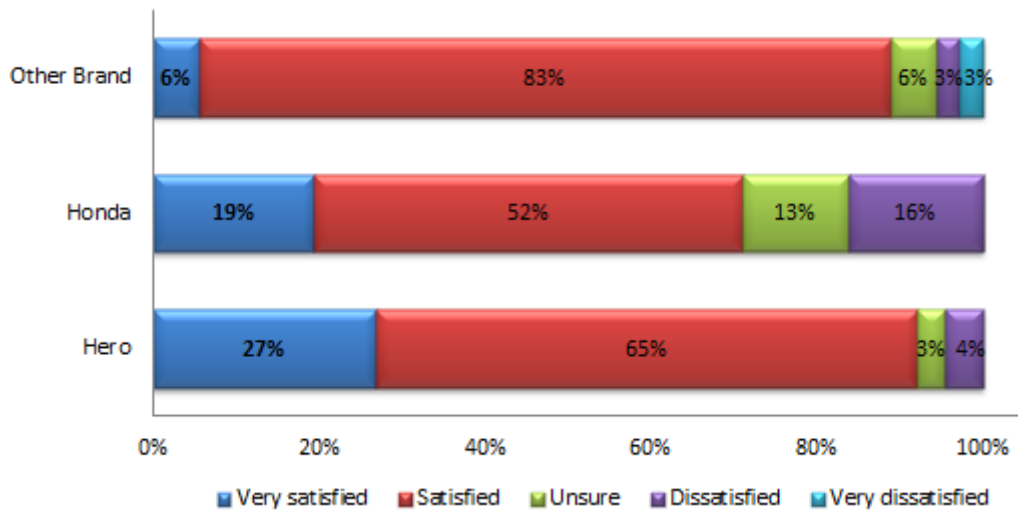
- Medium influenced customer purchase decision



**Figure 4.17:** Medium influenced customer purchase decision

Inference: 30% consumers purchased two wheeler products by their own experience and 21 % influenced by their family/ friend experience.

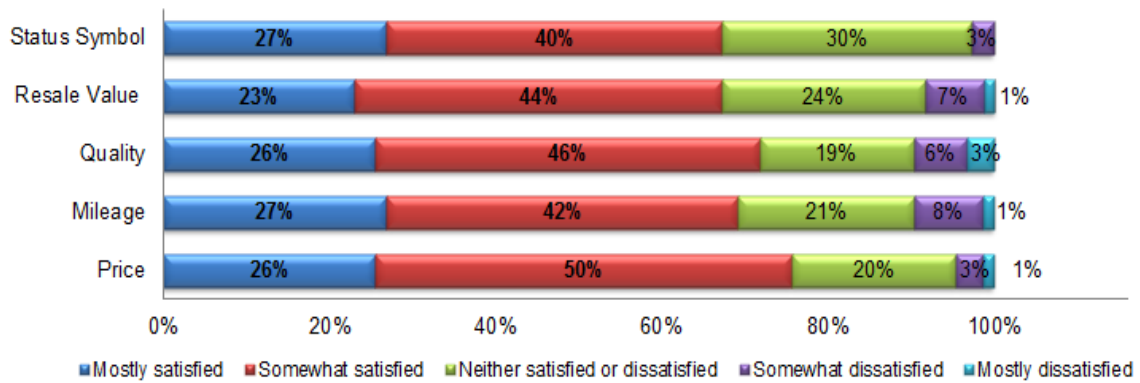
- Overall two wheeler satisfaction level



**Figure 4.18:** Medium influenced your purchase decision

Inference: overall 92 % customers of Hero owned products and 71 % customers of Honda product are satisfied with overall vehicle performance. Respondents are overall satisfied with two wheeler performance.

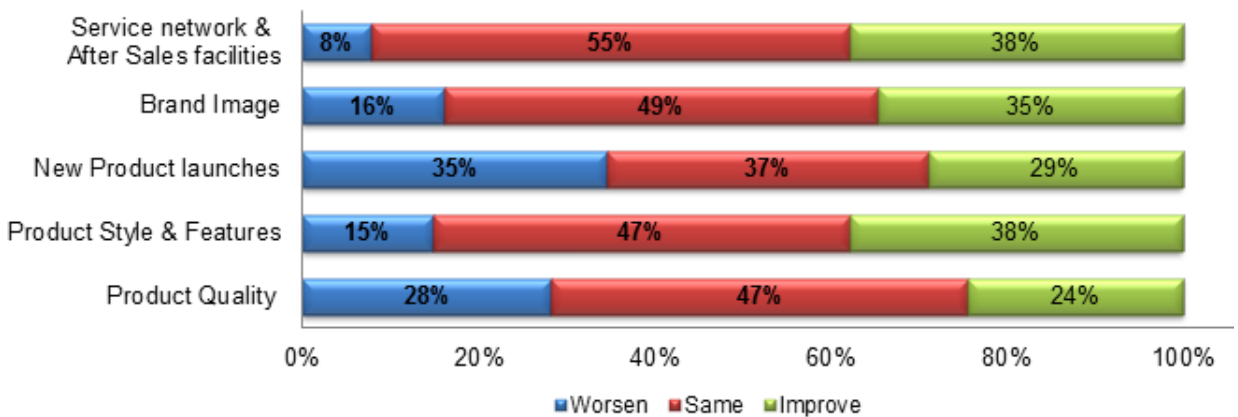
- Two wheeler performances with respect to attributes



**Figure 4.19:** Two wheeler performances with respect attributes

Inference: Respondents were overall satisfied towards vehicle performance considering the attributes: Pricing, Vehicle Quality, Mileage, Resale value and status symbol.

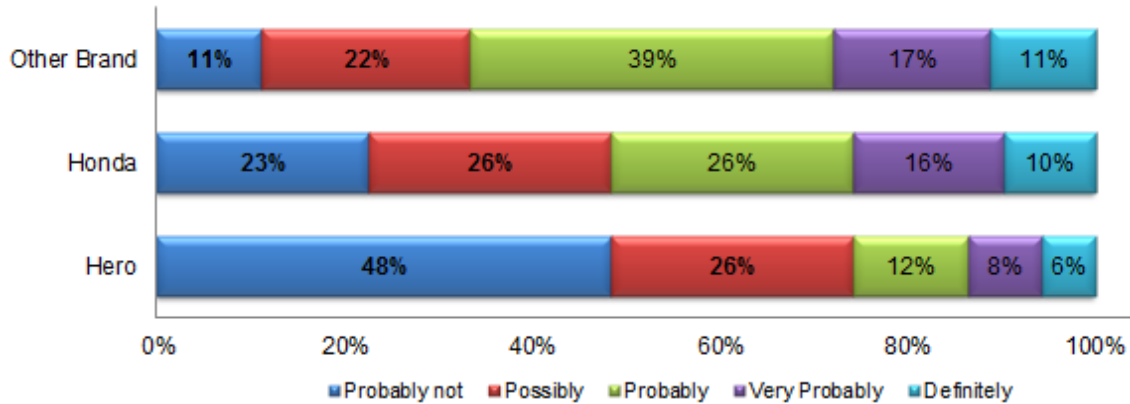
- Selection attribute image of Hero Brand after separation from Honda



**Figure 4.20:** Two wheeler selections attribute image of Hero Brand after separation from Honda

Inference: Hero product image after separation from Honda is overall same for Product quality (47%), Product Style & Features (47%), Brand Image (49%) and Service network & After Sales facilities (55%). Hero image is worsened majorly in new product launches (35 %) after separation from Honda.

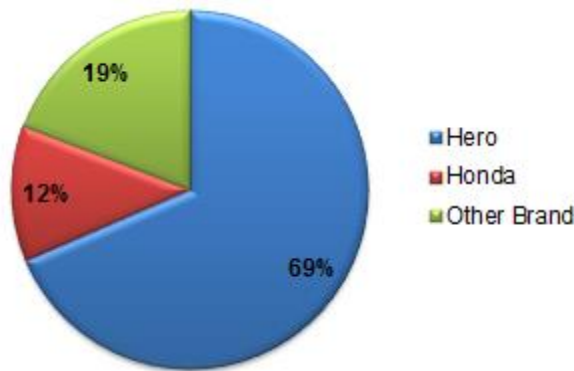
- Next two wheeler purchase preference



**Figure 4.21:** Next two wheeler purchase preference consideration

Inference: 48% Hero customers do not prefer changing to an alternate brand, in case of Honda it is 23%. Further, only 6% customers of Hero & 10% respondents definitely prefer to change their existing brand with the alternate brand.

- Two wheeler Brand recommended/ suggested by respondents



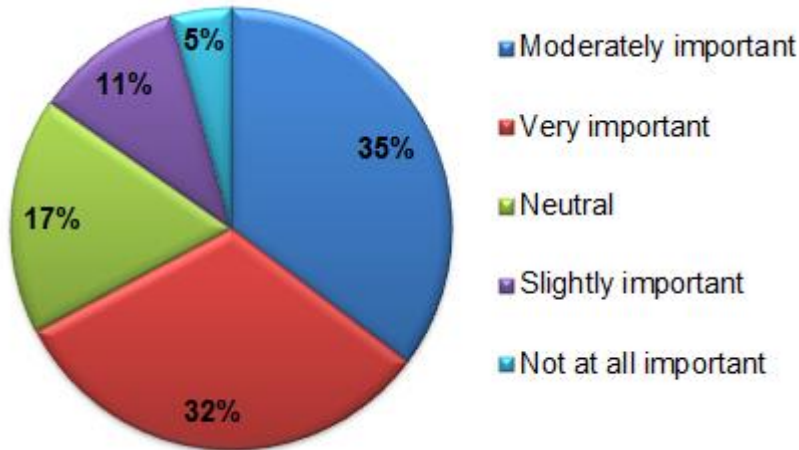
**Figure 4.22:** Two wheeler Brand recommended/ suggested by respondents

Inference: Overall respondents recommend: Hero (69%), Honda (12%) and other brands (19%).

Existing customers of Hero recommend buying Hero (84%), Honda (7 %) and other products (9%). This reflects brand loyalty.

Existing customers of Honda recommend buying Honda (39%), Hero (35%) and other brand for (26%).

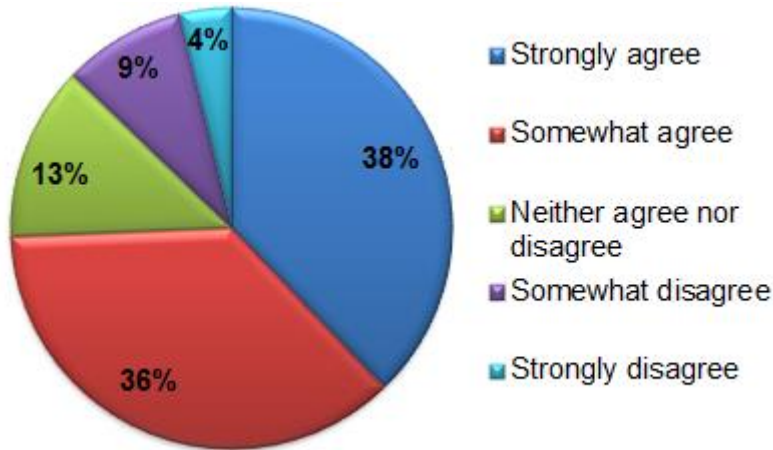
- Product warranty and influence on purchase consideration



**Figure 4.23:** Product warranty and influence on purchase consideration

Inference: 57% respondents are extremely aware about Hero 5 year Product warranty and 32% considered this as a very important factor during two wheeler purchase

- Perception for Future products from Hero



**Figure 4.24** Perception for Future products from Hero

Inference: 38% respondents strongly agree that Hero own developed product launches would give tough competition to its competitors like Honda, Bajaj, TVS & Yamaha. Only 4 % respondents strongly disagree about the success of Hero own developed future products.

## 4.5 Hypothesis Testing

Hypothesis developed on conceptual frame work tested using SPSS & Excel through regression analysis to know the significance level of attributes selected in the determination of satisfaction level of two wheeler usage.

### 4.5.1 Reliability:

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.874	0.872	10

**Table 4.2:** Reliability statistics

Cronbach's alpha is the most commonly used to measure of internal consistency ("reliability"). It is generally used when we have multiple Likert scale questions in a survey/ questionnaire that form a scale and we wish to determine if the scale used is reliable.

Cronbach's alpha is 0.874, which shows a high level of internal consistency.

### 4.5.2 Compute and interpret the coefficient of determination, $R^2$

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.802 <sup>a</sup>	0.644	0.619	0.480

**Table 4.3:** Coefficient of determination,  $R^2$

a. Predictors: (Constant), Product Warranty, Fuel efficiency, Product Image, Corporate Image, Features: Product USP, Maintenance cost, Price, Quality, After sales service, Technology

Table 4.3 provides the  $R$  and  $R^2$  values. The  $R$  value signifies the simple correlation and is 0.802 (the "R" Column), which shows a high degree of correlation.



The  $R^2$  value (the "R Square" column) indicates how much of the total variation in the dependent variable, Price, can be explained by the independent variable

The model explains 64.4% of overall consumer satisfaction with two wheeler performance towards independent factors influencing purchasing decision for selecting a two wheeler product by customer.

#### 4.5.3 ANOVA Table

ANOVA <sup>b</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	60.50	10.00	6.05	26.21	0.00
	Residual	33.47	145.00	0.23		
	Total	93.97	155.00			

**Table 4.4:** ANOVA Table

a. Predictors: (Constant), Product Warranty, Fuel efficiency, Product Image, Corporate Image, Features: Product USP, Maintenance cost, Price, Quality, After sales service, Technology

b. Dependent Variable: Overall Satisfaction with 2W performance

Table 4.4 shows that the regression model predicts the dependent variable significantly well. "Sig." column value is 0.00, this shows the statistical significance of the regression model that was run. Here, p value is less than 0.05, and indicates that; overall, the regression model statistically significantly predicts the outcome variable.

#### 4.5.4 Regression Summary (Hypothesis result)

Coefficients <sup>a</sup>						Finding	
Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Null Hypothesis	Accepted/ Rejected
	B	Std Error	Beta				
1 (Constant)	0.452	0.306		1.477	0.142		
Product Image	0.136	0.066	0.122	2.053	<b>0.042</b>	H01	Rejected
Corporate Image	0.062	0.056	0.061	1.099	0.274	H02	Accepted
Price	0.214	0.052	0.269	4.081	<b>0.000</b>	H03	Rejected
Quality	0.027	0.064	0.030	0.426	0.671	H04	Accepted
Features: Product USP	0.059	0.062	0.065	0.952	0.343	H05	Accepted
Technology	0.219	0.068	0.260	3.198	<b>0.002</b>	H06	Rejected
Fuel efficiency	-0.058	0.055	-0.066	-1.049	0.296	H07	Accepted
After sales service	0.031	0.067	0.033	0.453	0.651	H08	Accepted
Maintenance cost	0.006	0.062	0.006	0.094	0.925	H09	Accepted
Product Warranty	0.197	0.060	0.244	3.288	<b>0.001</b>	H10	Rejected

**Table 4.5:** Regression Coefficients Summary

a. Dependent Variable: Overall Satisfaction with two wheeler performance

A significance level (*P* value) is considered significant if it is less than 0.05.

Table 4.5 shows coefficient of Product image (Sig. 0.042), Price (Sig. 0.00), Technology (Sig. 0.002) and Product Warranty (Sig. 0.001) are statistically significant at 95 % significant level.

#### Inference:

The model explains 64.4% of overall consumer satisfaction with two wheeler performance based on the independent variable. We can conclude that Product image, Price, Technology and Product warranty does significantly affect the satisfaction level of a two wheeler performance.

## 4.6 Findings

As per the secondary and primary data analysis following are the findings:

### 4.6.1 Findings for Secondary data

1. Hero Brand Strength: Strong Brand, Wide Network, durability and durability of the product.

- Hero's strength has been its tough brand. While Hero Honda had been the gold standard for two-wheeler brands since 1984, Hero and Honda separately were equally strong, Hero more so.
- Hero's other strength has been its distribution network across the country. The company has the biggest network of dealers for any two wheeler manufacturer with over 6000 plus touch points, including the aftersales service network.
- Over the last many years before the separation, Hero Honda had been focusing on the rural market. This had allowed the company to achieve a rapid volume growth, much faster than the competition.
- Hero's Splendor and Passion range of motorcycles have hit the bull's eye. Product are maintenance proof in nature, these 100 cc bikes have been known to last for a decade and beyond, requiring very little maintenance.
- Using the Honda Cub / Splendor series platform, Hero has been able to sell nearly half a million motorcycles every month. This results in terrific economies of scale and nice profit margins for both manufacturer and its suppliers.
- Loyal customers still associate the machine with the Indian brand, Hero Moto Corp, to them, Honda is a good Japanese brand, but so are Yamaha and Suzuki. Honda too realizes its disadvantage vis a vis Hero and has started working on its brand communication using, amongst other things like promotion through a Bollywood star.

- Hero is supremely confident of its brand. Its confidence is reflected in the fact that while Hero MotoCorp was allowed to use the Hero Honda brand on its machines till March 2014, it removed Honda name from products as early as March 2012, i.e. within 15 months of the separation from Honda.

## 2. Challenges for Hero: Technology & New Product Development

- Honda's strength is its hard work and product engineering strengths. Honda does have an edge over Hero in product engineering considering the Indian brand has just now started spending money on R&D.
- Hero has been able to transfer most of Hero Honda's goodwill to Hero MotoCorp. Honda has a good brand name but while the urban end of the market is ready to reward Honda for the brand name.
- Honda has launched the CD 100 Dream series, a very basic motorcycle targeted at the entry level end of the market and one which has more than a fleeting resemblance to Hero's Splendor and HF Deluxe range (earlier known as CD range). HMSI launched a corporate campaign themed 'Honda is Honda'.
- Honda's problem is the distribution network in the country. This lack of penetration is especially a problem in rural and semi-urban areas and restricts Honda's growth in the entry segment. Honda identifies the problem and the company has grown their dealer network & touch points and aggressively focusing on the same. However, it will take a few more years for the network size to match Hero's.

## 3. Way forward for Hero to take over the competition and expansion plan

- Hero has a vision 2020: Annual two wheelers sales target of 12 million, Set up more than 20 manufacturing and assembly plants globally, Presence in more than 50 countries
- To achieve his vision and for strengthening technology Hero Collaborated with the renowned Italy based two wheeler design company: Engines

Engineering to support in the development of Hero's next generation product line up, Alliances with the Austria based AVL to further enhance the Hero R&D capabilities & engine technologies and Joint Venture with Magneti Marelli for developing FI system & power train solution for upcoming products.

- Hero invested 450 Crores in the world class Hero Centre of Global Innovation and Research & Design located at Kukas, near Jaipur in Rajasthan; same would be started by Oct 2015.
- Company is focusing on the expansion of export market, new alliances and planning of setup more production facilities in Gujarat & Karnataka.

#### 4.6.2 Findings form Primary data

1. Hero has strong hold in the domestic market share of motorcycle and Honda has highest domestic market share in scooter segment.
2. Customers are satisfied with after sale experience and same would be impact in the selection for next two wheeler purchase consideration.
3. Two wheeler majorly purchased by the customer for Commuting to work purpose. Consumers purchased two wheeler products by their own experience followed recommendation from their family/ friend experience.
4. Customers were overall satisfied towards vehicle performance considering the attributes: Pricing, Vehicle Quality, Mileage, Resale value and status symbol. Hero product image after separation from Honda is overall same for Product quality (47%), Product Style & Features (47%), Brand Image (49%) and Service network & After Sales facilities (55%). Hero image is worsened majorly in new product launches (35 %) after separation from Honda.

5. Overall respondents recommend: Hero (69%), Honda (12%) and other brands (19%). Existing customers of Hero recommend buying Hero (84%), Honda (7 %) and other products (9%). This reflects brand loyalty.
6. The conceptual model and hypothesis testing explains 64.4% of overall consumer satisfaction with two wheeler performance based on the independent variable. Attribute: Product image, Price, Technology and Product Warranty are statistically significant at 95 % significant level.
7. Customer's attitude has not changed much after separation of Hero from Honda. Hero is successfully able to sustain their market share, growth & customer base. Customers have faith & trust in the Hero because of which Hero is able to maintain the legacy of being a world's no. 1 two wheeler company.

#### **4.7 Recommendations**

1. Hero needs to focus on the scooter segment. More scooter variants to develop to meet target customer expectation and develop marketing strategies to increase its market share in the scooter segment.
2. Hero premium product range market share is low. Premium product development at best price range equipped with unique features is the need for growth and expansion of product line both for domestic and export market.
3. Detailed market research & competitor product study on new features expected by the young customers to meet customer expectation so as to increase share in premium product range.
4. Hero needs to sustain its brand image and focus on improving product quality to set a benchmark.

5. Development of low cost durable two wheeler product for rural market. This would further create tough competition for other player to enter in the dominant market position.
6. Focus on new product development and faster delivery of new launches. Hero to strengthen its R&D to offer new products at fast pace and giving tough competition.
7. Hero should focus proactively on new product promotion as often seen delay in product promotion, advertisement campaigns.

#### **4.8 Limitations of the Study**

The following are the few limitations of the study.

1. Respondents sample size selected was limited.
2. Research work was carried out in a limited/ specific sample of people. The findings may not be applicable to the rest parts of the country because of the demographic, social, economic, geographic & cultural differences.

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## ANNEXURE

### 6.1. Questionnaire

#### Customer Perception Study Questionnaire:

The purpose of this survey was conducted to know customer experience on the two wheeler products manufactured under the brand name of: Hero & Honda

> Focused on customers who owned two wheeler or considering purchasing two wheeler

The following are the questions used for extracting information from the end customer:

Part 1: To assess customer perception towards the two wheeler brand consideration

Part 2: Demographic profile of the user

#### **Part 1: Purchase considerations**

Q1) Which company's two wheeler bikes do you have or consider for purchase?

- Hero     Honda     Other Brand

Q2) Which category of two wheeler do you have or consider for purchase?

- Motorcycle     Scooter     Both

Q3) a. This two wheeler is purchased or considered as

- New     Additional     Replacement

Q3) b. If two wheeler is purchased as Additional or Replacement, how would you rate after sales experience for your bike?

- Bad     Fair     Good     Very Good     Excellent

Q4) For what purpose do you use two wheeler?

- Educational - Going to school/ college  
 For business/ Trading/ Delivery/ Field Work  
 Commuting to work (Going to office/ factory )  
 Going out with wife/ family / friends  
 Weekend outings/ Long drive with friends  
 Others

Q5) Who is/ are the prime user of two wheeler

- You     Spouse  
 Both you & your spouse     For all family members

Q6) Which of the following medium influenced your purchase decision?

- Word of mouth
- Company's website
- Social Media (Face book/ Twitter) or Auto Blogs Newspaper advertisements
- Own experience
- Hoardings/ Bus Shelters
- Local Mechanic
- Television advertisements
- Radio advertisements
- Magazine advertisements
- Family/ friend recommendation

Q7) Rate the following factors below which may influence your purchase decision for selecting a two wheeler?

Attribute	Not at all Important	Slightly Important	Neutral	Very Important	Extremely Important
Product Image					
Corporate Image					
Price					
Quality					
Features: Product USP					
Technology					
Fuel efficiency					
After sales service					
Maintenance cost					
Product Warranty					

Q8) Are you satisfied with the performance of your two wheeler (Even If you personally not have a two wheeler Please share your opinion considering your experience)

- Very satisfied    Satisfied    Unsure    Dissatisfied    Very dissatisfied

Q9) How will you rate two wheeler performances with respect to following attributes?

Attributes	Mostly dissatisfied	Somewhat dissatisfied	neither satisfied or dissatisfied	Somewhat satisfied	Mostly satisfied
Price					
Mileage					
Quality					
Resale value					
Status symbol					

Q10) Do you consider Hero has improved/ worsened in any of the area after separation from Honda in the following parameters?

Parameter	Worsen	Same	Improve
Product Quality			
Product Style & Features			
New product launches			
Brand Image			
Service network & After Sales facilities			

Q11) For next purchase, would you like to change to alternate brand? (Example: If you are existing Hero product consumer then will you look for another two wheeler brand in future as consideration)

- Probably not    Possibly    Probably    Very Probably    Definitely

Q12) Which brand would you suggest/ recommend other people (relatives, friends) to buy (2 wheeler) for their purchase consideration?

- Hero    Honda    Other Brand

Q13) a. Are you aware about 5 year's standard product warranty for Hero brand.

- Extremely aware    Moderately aware    Somewhat aware    Slightly aware  
 not at all aware

Q 13) b. Has warranty been an important consideration in your purchase?

- Very important    Moderately important    Neutral    Slightly important  
 Not at all important

Q 14) "Hero" is world's largest two wheeler manufacturer since last 13 years in a row. Hero products are expanding to a global platform. Do you think Hero brand would compete and become a global leader by competing Honda?

- Strongly agree    Somewhat agree    Neither agree or disagree  
 Somewhat disagree    Strongly disagree

Q 15) "Hero" is expanding their R&D & set up a new facility at Kukas and recent global collaboration & alliances (EBR, EE, AVL, MM). Wide range of offerings & concepts were displayed at Auto Expo 2014.

Do you feel new product launches from Hero would give tough competition to its competitors like Honda, Bajaj, TVS & Yamaha?

- Strongly agree    Somewhat agree    Neither agree or disagree  
 Somewhat disagree    Strongly disagree

## Part 2: Demographic profile

Q1) Gender

- Male     Female

Q2) Age

- Below 20 years     20~ 30 years     30~40 years  
 40~50 years     Above 50 years

Q3) Education: What is the highest level of education do you have completed?

- Metric                       Technical Diploma                       Bachelor's degree  
 Master's degree     Doctorate degree                       Others

Q4) What is your current marital status?

- Single             Married

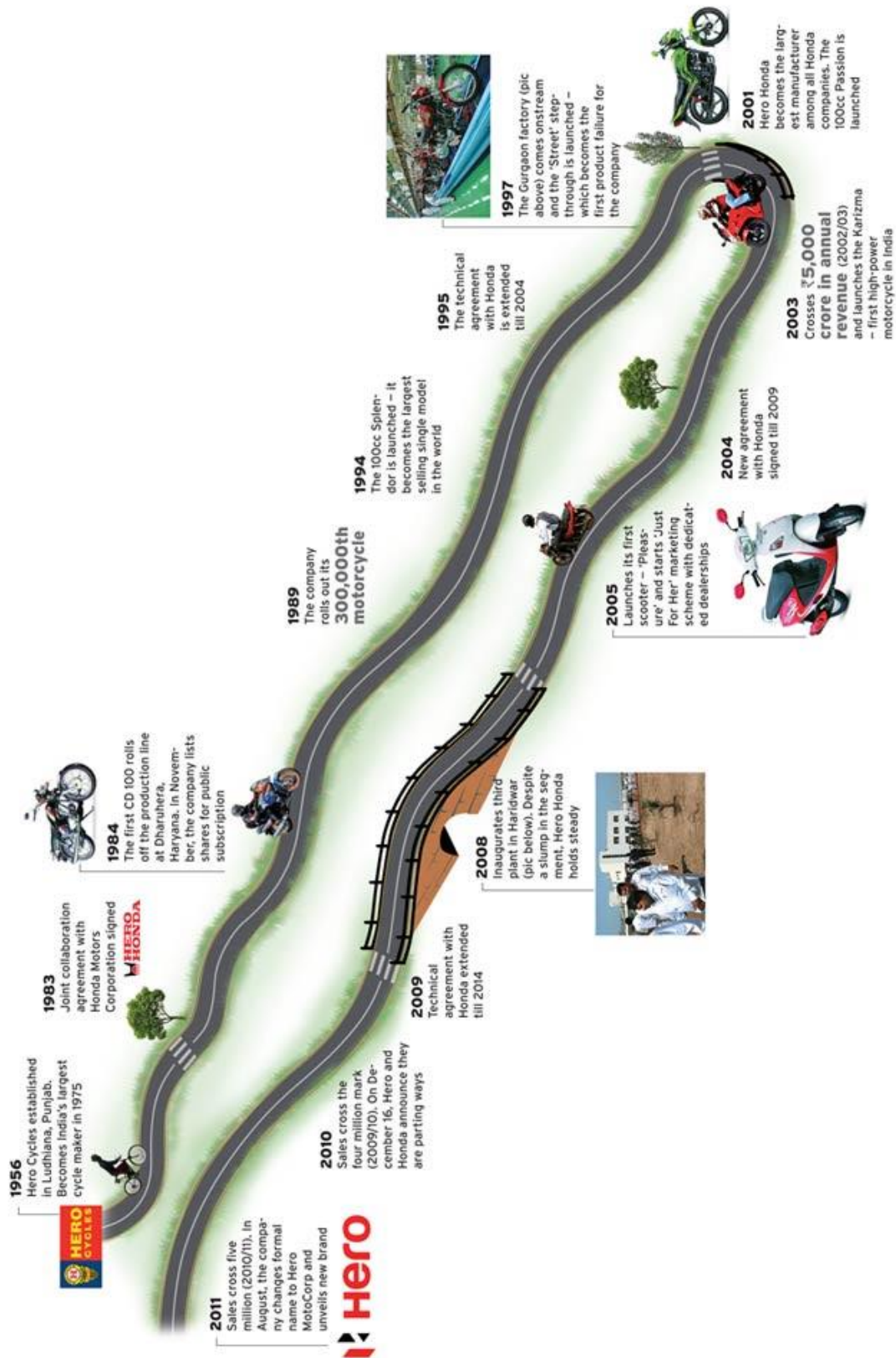
Q5) What is your current Occupation?

- Government Sector                       Private Sector                       Business  
 Agriculture                       Student

Q6) Your family total monthly household income from all sources?

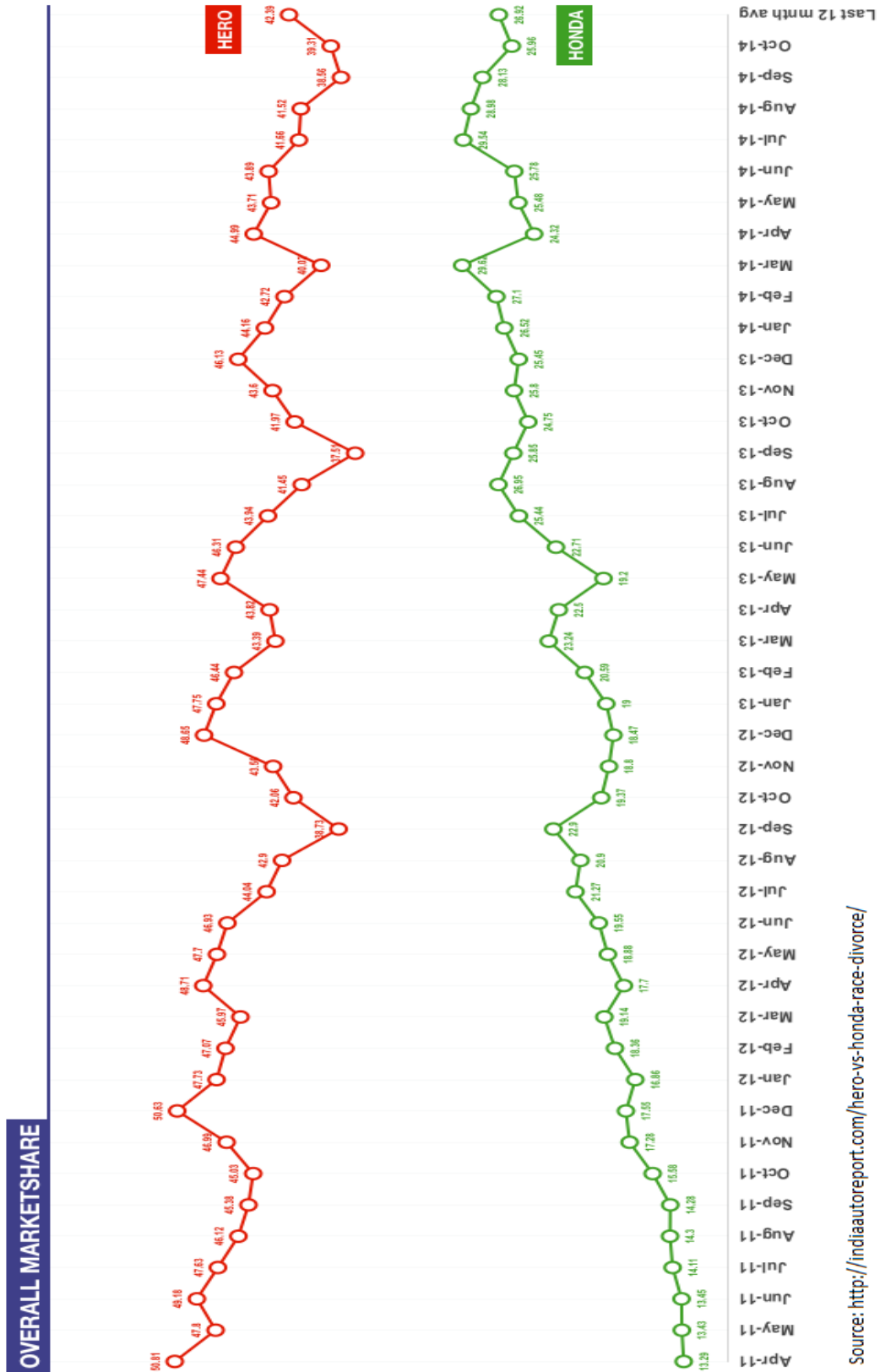
- Less than 25,000 Rs     25,001 Rs -30,000 Rs     30,001 Rs -40,000 Rs  
 40,001 Rs – 50,000 Rs     More than 50,000 Rs

## 6.2. Major Time line Hero Honda JV to Hero Brand



Source: <http://businesstoday.intoday.in/story/hero-motocorp-after-honda/1/18359.html>

### 6.3. Market share trend Hero & Honda after separation



Source: <http://indiaautoreport.com/hero-vs-honda-race-divorce/>