International Academic Institute for Science and Technology

International Academic Journal of Business Management
Vol. 5, No. 1, 2018, pp. 137-147.
ISSN 2454-2768

International Academic Journal of Business Management

Nexa Showroom: An Analysis of Consumers Perception towards its Premier Image in Bengaluru

Dr. S. Shyam Prasad[a], Vatsal Rajesh Savant[b], Neha Shindey[c]

[a] *Professor, International School of Management Excellence, Bengaluru, India.*

[b] *Scholar, International School of Management Excellence, Bengaluru, India.*

[c] *Scholar, International School of Management Excellence, Bengaluru, India.*

Abstract

Maruti Suzuki's image of affordable "people's car" manufacturer which propelled it to the top position as India's largest carmaker, turned out to be a bane for their higher priced models. It launched a number of high-end vehicles with little or no success. The company made several different attempts to enter the high end market. All those endeavours did not yield the expected results. In a one more fresh try to succeed in the luxury segment, by managing its distribution in a new way, in July 2015 Maruti launched Nexa the premium showrooms to sell their high-end cars. Since then several articles have been written about Nexa, its strategy and how it is different from other Maruti Showrooms. It is now more than three years and one would be interested in knowing its status. This paper investigates the impact of Nexa showrooms on the perceptions of the Bengaluru consumers. Has it succeeded in its attempt to change the perceptions positively? Data was collected from the customers visiting the showrooms from different parts of the city and it was analysed using R. The results show that the perception of the company as "people's car" manufacturer is giving in though it has long way to go.

Keywords: People's car, luxury segment, Premium, Strategy, Perceptions.

Introduction

With a massive market share of more than 49 percent, Maruti Suzuki is India's biggest car manufacturer. In 1942, Indian automobile industry came into being with the launch of Hindustan motors followed by Premier, Mahindra, and Mahindra a year later each. However, the industry did not make much headway due to stringent government laws, high cost of the cars and peoples affordability. In order to meet the

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

demand for an affordable car, Government of India in 1983, set up Maruti Udyog Limited (MUL) jointly with Suzuki Motor Company of Japan. Suzuki was chosen as it had a good international reputation of making small passenger cars. It introduced a small car - 'Maruti 800' a model meant for common man at an affordable

Price. Since then it has not looked back. It launched other models too like Gypsy, Maruti 1000, Maruti Omni Van and so on. Today in 2018, it continues to be India's largest automaker and dominates the market with a huge market share of 49.6 percent. The huge success of 'Maruti 800' and cars for common man has shaped the company's image as makers the of 'affordable people's car'. Instead of this success being a boon to them has turned out to be a bane for their higher priced models. It could not make any foray in other than small car market. It launched a number of high-end vehicles with little or no success. The company, in 2009 launched 'Grand Vitara', a Sports Utility Vehicle (SUV) priced at about Rs 17 lakhs. Two years later in 2011, it followed up with another premium vehicle – a sedan – 'Kizashi' priced at Rs 15 lakhs. Unfortunately, in spite of both the vehicles being impressive and having good looks, failed miserably. So much so that the company had to offer discounts up to 5 lakh to clear inventory[*]. In order to gain a foothold in the premium segment, the company juggled with the products, the different price and the promotions. Yet it did not achieve its objective. Though the total sales crossed 10 million units which no other company in India has achieved (Badrinath, Kumar, & Dinesh, 2012), the situation was not very comfortable as it was losing high-end customers to competitors (Singh & Naib, 2017) and the situation turning critical. Having tried 3Ps (Product, Price and Promotions) of 4Ps of marketing mix for entering the luxury segment with not much success the only option available to them was the 4th P i.e. Place – the distribution. Further, as per their executive director R S Kalsi, they realized that the expectation of the customers in the segment is completely different and they need to pamper them. Thus, they came up with the idea of premium distribution channel to sell their premium brands and Nexa premium showrooms was launched. Nexa showrooms are more spacious, more detailed and provide more courteous and more premium showroom experience than the ordinary Maruti showrooms. It is been now more than three years and one would be interested in knowing its status. This paper investigates the impact of Nexa showrooms on the perceptions of the Bengaluru consumers. The objective is to find out if this strategy has had any impact in changing the perception about Maruti as that of 'peoples car' manufacturer.

Literature Review

Since the launch of Nexa showrooms in July 2015, many articles and write-ups have been published. Some paper has had the objective of finding out why Maruti is the leader of Indian automobile sector (Kaur, 2016). Vijay Prakash Anand, in his paper has dealt with the strategy of the introduction of Nexa showrooms (Anand, 2017). He has discussed how Maruti, by differentiating its marketing mix through distribution is attempting to sell its premium brands and gain a foothold in that segment. In his article titled "The Story Behind Designing Nexa - Maruti's 'Premium' Dream in India" Devesh Gupta discusses how Maruti failed to position itself as a high-end brand (Gupta, 2015). According to him, Maruti is now

[*]"7 Reasons Why Maruti's Nexa Premium Dealership Strategy is Wrong!", available at http://www.enidhi.net/2015/10/marutis-nexa-premium-dealership-strategy-wrong.html, April 22,2018.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

attempting to enter the high-end kind premium retail network – Nexa a retail network that caters the high-end consumers who are looking for an experience. Nexa offers a high level of sophistication and based on the principle of exclusivity pampering.

"Staying relevant is very important. The idea is that we don't get a sense of complacency… a market leader may have the tendency to get complacent," said R.S. Kalsi. "In our research, we found that young customers – the third generation customers, who may already have a Maruti Suzuki vehicle in their family… they think of Maruti Suzuki as dad's car or grandfather's car," he said. According to Yuthika Bhargava, Maruti may have found an answer in Nexa (Bhargava, September 17, 2017).

On August 30, 2017, Maruti announced yet another new showrooms named Maruti Suzuki Arena which will have modern looks and offer a warm, friendly and comfortable environment to the customers. With the introduction of Maruti Suzuki ARENA, now the company will have four distinct retail channels: Maruti Suzuki ARENA, NEXA, Commercial and True Value. Through these chains the company promises to serve and delight customers in several ways. Maruti Suzuki ARENA differ itself from rest of the platform through Digital integration. Customers can now book their cars and even personalize models on the new website (ET Auto, 2017). Kenichi Ayukawa, MD and CEO of Maruti Suzuki said, "Maruti Suzuki ARENA is at the core of our strategy to transform our network and meet customer expectations. Maruti Suzuki ARENA will enhance transparency and delight customers with an exciting purchase expectations, seamlessly from the digital space to physical showrooms. I am sure it will create a lasting relationship with our customers. With Maruti Suzuki ARENA, we take an important step forwarding our journey of transformation."

A recent report in The Economic Times said that Maruti Suzuki Nexa — the chain of premium has emerged as third-largest selling retail network in the local passenger vehicle market in less than three years of launch, trailing the parent's regular sales channel (which clocked sales of 10,88,998 units) and rival Hyundai Motor India's distribution network (4,43,727 units) in terms of volumes till January this year (Mukerjee, Feb 22,2018).

In this scenario there was a growing interest to find out the impact of Nexa showrooms on the perceptions of the consumers. Hence this paper investigates the same in the customers in the Bengaluru city. The following were the two hypothesis tested in this work.

H1: There is a positive perception about Nexa showrooms.

H2: The perception of Maruti as small cars manufacturer is changing.

Research Method

In order to investigate the perception, the people who visited the showrooms were chosen as the sampling unit.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

In order to measure the level of visitors' perception and satisfaction with the Nexa showrooms, as the extant literature suggests, a questionnaire was designed to cover the key issues related with the car showrooms (Danaher & Mattsson, 1994). The objective of this questionnaire is to enumerate the factors that influence the service experience and thus the perception of the potential customers. The major factors in the case of car showroom are its ambience – cleanliness, services received from its employees and comfort level (Aspfors, 2010).

The visitors to the Nexa showrooms were interviewed immediately on leaving the showrooms. Some were interviewed in the showroom premises. Data was collected from 9 showrooms out of 11 showrooms in Bengaluru.

A total of 266 respondents were met and data was collected from them. Out these 262 were found good for analysis. The analysis was done using R.

Results

Before using a research instrument such as a questionnaire, it is necessary to consider the relevance of that instrument to that particular research questions (National Research Council, 2002) as well as its validity (the extent to which the instrument measures what it claims to measure) and reliability (the extent to which an instrument can be expected to give the same measured outcome when repeatedly measured) (Taber, 2013). A commonly used statistic to test the reliability of an instrument is Cronbach's alpha (Cronbach, 1951). This statistic is known to be 'one of the most important and pervasive statistics in research' (Cortina, 1993). It is considered to be a routine (Schmitt, 1996)

A rule of thumb for interpreting alpha for Likert scale questions is (Tavakol & Dennick, 2011):

Table 1 Rule of Thumb for interpreting Cronbach's alpha

Cronbach's alpha	**Reliability**
$\alpha >= 0.9$	Excellent
$0.9 > \alpha >= 0.8$	Good
$0.8 > \alpha >= 0.7$	Acceptable
$0.7 > \alpha >= 0.6$	Questionable
$0.6 > \alpha >= 0.5$	Poor
$0.5 > \alpha$	Unacceptable

The result of reliability analysis of our instrument are as given in table 2.

Table 2 Reliability analysis result – Cronbach's alpha

Reliability analysis result – Cronbach's alpha			
raw_alpha	std.alpha	No of items	Sample size
0.9	0.9	9	262
lower	alpha	upper	95% confidence boundaries
0.88	0.9	0.92	

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

The Cronbach's alpha for the instrument used for this study is 0.9 (table 2) which demonstrates a high degree of reliability and hence suitable for further analysis.

The total responses that were analyzed were 262, out of which 170 were males respondents and 92 were females respondents (table 3).

Table 3 Gender of Respondents

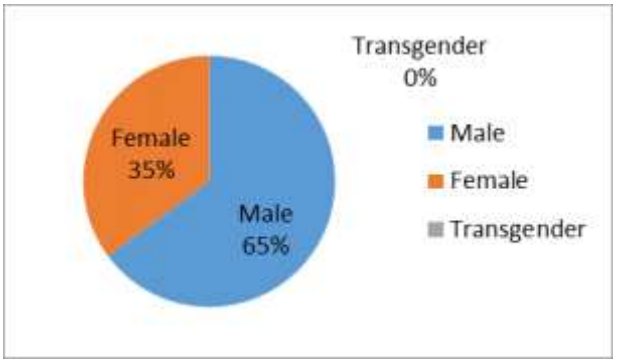
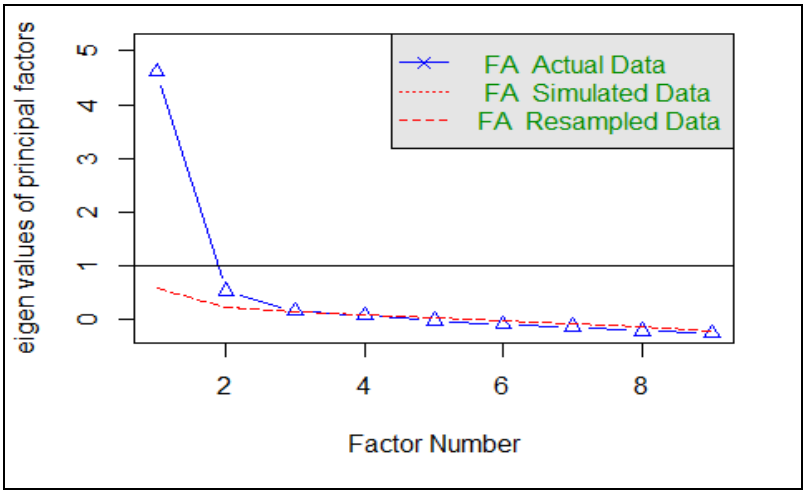


Table 4 shows the Parallel analysis and Scree plots of the data. The FA Actual (blue) line shows eigenvalues of actual data, red lines (placed on top of each other) show simulated and resampled data. Looking at this plot and parallel analysis, two factors would be good choice for factor analysis.

Table 4 Parallel Analysis of Scree Plots



On carrying out factor analysis, as expected, two factors emerged strongly (table 5) with both their SS loadings well above 1 (more than 2.5 actually) indicating that they are important. The two factors are identified as 1 Aesthetics and 2. Service Providers.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Table 5 Factor Loadings

Factor Loadings		
	Factor1	Factor2
clean	0.839	0.186
enjoyable	0.791	0.327
pleasant	0.554	0.409
sophistication	0.503	0.417
spacious	0.590	0.360
courteous	0.398	0.642
helpful	0.223	0.830
groomed	0.424	0.543
interact	0.314	0.820
	Factor1	Factor2
SS loadings	2.726	2.680
Proportion Var	0.303	0.298
Cumulative	0.303	0.601
Test of the hypothesis that 2 factors are sufficient.		
The chi square statistic is 60.54 on 19 degrees of freedom.		
The p-value is 3.17e-06		

Now having understood that two factors influence the consumer perceptions of the Nexa showrooms, the major objective of the study – if there is difference in the perceptions of different consumers about Nexa, can be looked at.

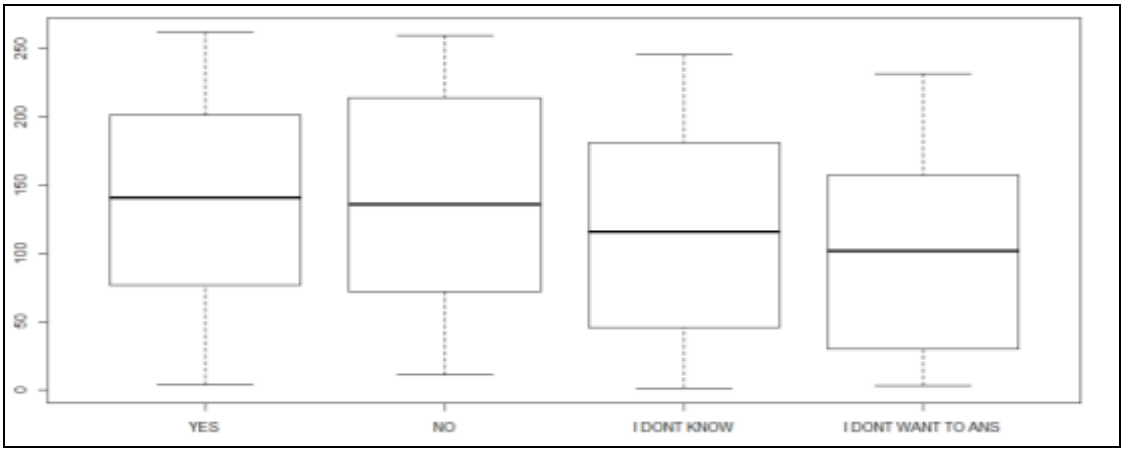
One of the questions was if the respondents think Maruti manufactures luxury cars and the options to answer it was 1.Yes, 2. No, 3. I don't know and 4. I don't want to answer. We need to know if the respondents with different answers have different perceptions or not. Hence an Anova test was done.

Null Hypothesis: All perceptions of the respondents "YES", "NO","I DONT KNOW", "I DONT WANT TO ANS" means are equal -> there is no relationship between the different perceptions and respondents, which we can write as follows: H0: U1 = U2 = U3 = U4

Alternative Hypothesis: Not all perceptions means are equal -> there is a relationship between different perceptions and respondents: H1: not all U are equal.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Table 6 Boxplot of the respondents



A box plot (table 6) of their means are not conclusive enough though it shows some variance. This has to be established statistically. To test the hypothesis Anova test was carried out whose result is shown in table 7.

Table 7 Anova test output

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Perceptions	3	36701	12234	2.168	0.0923
Residuals	256	1444912	5644		
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1 2 observations deleted due to missingness					

The F value is 2.168, and p-value is high too. In other words, the variation of means perceptions among different respondents is much lesser than the variation of thoughts within each group, and our p-value is more than 0.05 (as suggested by normal scientific standard). Hence we conclude that for our confidence interval we cannot reject the null hypothesis H_0. We can then say that there is no significant relationship between the perceptions and respondents.

Further, to be sure, the respondents who answered 'YES' were treated as a group and the rest as another group and another Anova test was carried out. The output is shown in table 8.

Table 8 Anova test output of two groups

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Perceptions	1	12076	12076	2.12	0.147
Residuals	258	1469538	5696		
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1 2 observations deleted due to missingness					

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Once again, the F value is 2.12, and p-value is high too. In other words, the variation of means perceptions among different respondents is much lesser than the variation of thoughts within each group, and our p-value is more than 0.05 (as suggested by normal scientific standard). Hence we conclude that for our confidence interval we cannot reject the null hypothesis H_0 and conclude that there is no significant relationship between the perceptions and respondents.

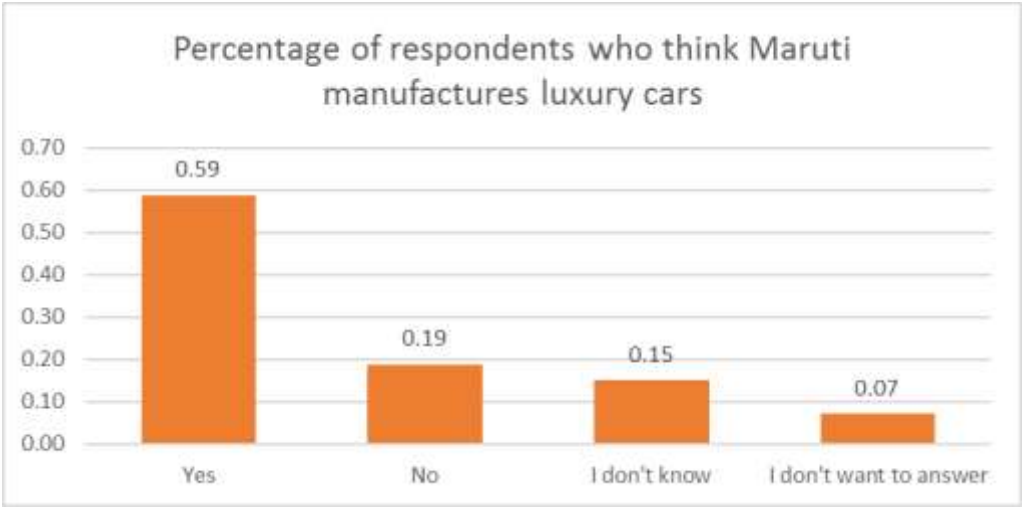
Further, a comparison of the reasons for choosing Maruti earlier and now by respondents is shown below in table 9.

Table 9 Comparisons of reasons for purchasing Maruti earlier and now



The table 10 shows if the respondents think that Maruti manufactures luxury cars.

Table 10 Percentage of respondents who think Maruti manufactures luxury cars



Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Conclusions

This paper investigated two main questions:

1. *Is there a positive perception about Nexa showrooms?*

2. *What is the status of perception of Maruti Company as a small cars manufacturing?*

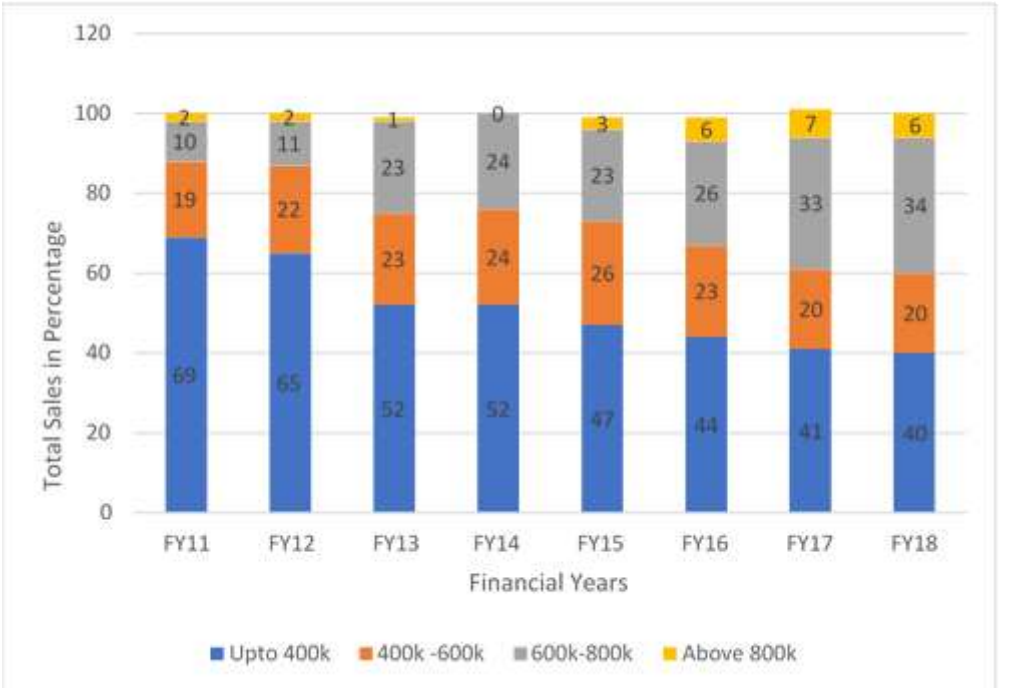
The answer to the first question comes from our anova test which failed to reject the null hypothesis. Thus there is no variations in the perceptions of the Nexa showrooms between those who think Maruti manufactures luxury cars and others. This gives rise to the conclusion that there is positive perception towards Nexa showrooms.

The second questions looks at the perception of the Maruti company itself. Table 10 clearly shows that nearly 60% (59% to be precise) think the company manufactures luxury cars. These conclusions are also supported by the sales data.

Managerial Implications

The major conclusion of this study is that Nexa is achieveing what it had planned for – changing the perception of the people about the company. The perceptions are positive. Though it has not completely shed its image of a small car manufacturer, people have started see Maruti as company that manufactures luxury cars also. This is definitely good for the company and augurs well for its future.

Table 11 Product Mix Sales till 2017 and Target Figure for 2018



Source: Motilal Oswal Annual Research Update. Sector – Automobile. Maruti Suzuki

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Limitations

This study has few limitations. As mentioned, this research was carried out only in Bengaluru city and hence the results cannot be generalised pan India confidently. The second limitation is that the perceptions of the only those customers who were visiting the Nexa showrooms were recorded. Finally, only quantitative study was done and some amount of qualitative would have produced clearer results.

References

Afjeiee, Ali Akbar (2007). Behavior in Organizations letter. Journal of Economics and Management, No. 74. Pp. 20-31.

Armstrong, Michael (2007). Performance management, basic strategies and practical guidelines. Translation N. Mirsepasi and Asmaly Kavoosi. Tehran / a cashmere publications.

Ayed M and Rim, B (2009). Impact of the adoption of information and communication technologies on firm efficiency in the Tunisian manufacturing sector, Economic Modelling, 26, 961-967.

Collings, D. G. & Mellahi, K. (2009). Strategic talent management: A review and research agenda. Human Resource Management Review, 19, 304 - 313.

December, just as a scholar, M. (2007). A review of methods for evaluating the performance of the insurance subsidiaries, Insurance Industry Quarterly, 22 (2): 123-152.

Duttagupta, R. (2005): Identifying and managing your assets: Talent management, PricewaterhouseCoopers, London.

Hajy¬Nby, Cameron, President, P. and oven, Nrgs¬Alsadat (2013). Talent management relationship with the nursing staff in hospitals in the city of Karaj, Health Information Management, 10 (7): 469-472.

Lawler, E. E, (2008). Choosing the Right Talent Management Strategy. Workspan, 51 (7): 65-81.

McCauley, C & Wakefield. M. (2006). Talent Management in the 21st Century: Help your Company Find, Develop and Keep its Strongest Workers. The Journal for Qualify and Participation, 29 (4): 1-18.

Mehravani Hussain, M. (2011). Effect of implementation of talent management on organizational performance (PMO studied in Gilan province), MSc Thesis, Faculty of Humanities, University of Guilan.

Mobini, M. (2006). Work, talent and education, life magazine, saying, 30: 110- 115.

Moderator, Fatah and Hamoudi, J. (2006). The relationship between creativity managers improve employee performance in the oil. Research Extension Management Journal, 3 (7): 80-89.

Sadeghi, Ali Mansour, Hassan Zadeh, A, Bagheri, the power of God; Amiri, Ali Naqi (2012). Internal and external factors affecting customer satisfaction in Salehin credit and financial institutions (banks and future), the Fourth Conference on Marketing of Banking Services, Tehran, IRIB International Conference Center.

Saidi, N, Karimkhani, MJ and lively wine, S. (2012). Evaluate the impact of intellectual capital on employee performance across the organization. Rubber Industry Quarterly, 16 (65): 58-66.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018

Salehi Kerdabad, Mazandaran, S. (2010). The relationship between innovation and performance. Third National Conference of creativity, TRIZ (TRIZ) and engineering and management of innovation. Tehran: Tehran home teacher.

Schweyer, A. (2004). Talent Management Systems, Best Practices in Solutions for Recruitment, Retention and Workforce Planning, Wiley, New York, NY.

Soltani, A. (2008). Breeding ground for performance management, human resources, policy advocacy scientific journal, 19 (92): 20-23.

Sweem, Susan L. (2009). Leveraging Employee Engagement through a Talent Management Strategy: Optimizing Human Capital through Human Resources and Organization Development Strategy in a Field Study, dissertation, available at: http://www.umi.com/pqdauto.

Tahmasbi, R, H. M, S; Lyjbary, H. and Khorasani, A. (2013). Developing indicators for identifying talent in strategic business SAPCO (case study: the area of manufacturing and supplying piece), Public Management Research, 6 (20): 97-119.

Tajuddin, M. and Maly Tafti, M. (2008). Why, Talent Management magazine Tdbyr.shmarh 191, pp. 62-63.

Taleghani, GR; Amini, S, Ghaffari, A, Dvsy, H. (2013). The relation between talent management and performance of faculty members, Journal of Public Management, 5 (3): 83-102.

True, Muhammad Ali, Ahmad, I. and R. Seals, H. (2009). Effects of organizational justice on employee performance. Organizational Culture Management, 7 (20): 79-101.

Weiss, A, & mackay, N. (2009). The Talent Advantage: how to attract and retain the best and the brightest. John Wiley & sons, Inc. Hoboken, New Jersey

Yamini, M. (1992). Systems of universities. Tehran: Institute for Research and Planning in Higher Education.

Received:22 February 2018/Accepted:26 April 2018/Published:18 June 2018