



STUDY OF CONSUMER PERCEPTION OVER SEPARATION OF HERO AND HONDA JOINT VENTURE WITH SPECIAL REFERENCE TO PUNE CITY

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Abstract

The Hero-Honda Motors Ltd (HHML) as a Joint Venture came into existence in the mid-80s, with the coming together of the Hero group of India and the Honda Motor Company of Japan. It was considered a landmark deal and dominated over the Indian markets for many years. With the tremendous growth in the Indian economy and the automobile sector, the two-wheeler segment had grown by leaps and bounds and attracted many more companies to enter the market. The competitive landscape has thrown open challenges in the market and forced existing players to look at different strategic options. The dissolution of HHML is certainly a major event in the Indian automobile industry. The research focuses on the effect of separation of Hero-Honda Joint Venture and further challenges faced by Hero and Honda after separation from consumer prospective.

INTRODUCTION

The Hero-Honda Joint Venture

The Joint venture between the Hero group of India and the Honda Motors Company (HMC) of Japan led to one of the most famous collaborations in the automobile sector. This deal was a big event in the 80's, when the Indian economy wasn't open enough. The brand Hero Honda has been at the cornerstone of the Indian two-wheeler industry for a long time. In fact, the word 'Hero Honda' was often used synonymously with 'motorcycles' in India.

Roots of the Break-Up

The Hero-Honda partnership faced its first challenge way back in 1994. It was perceived (although not conclusively proven) that HMC wasn't living up to the expectations it had created, while HHML was doing all the hard work. In 1995, the deal between the two companies was supposed to be re-negotiated. HHML was in a bargaining position, and significantly lowered the royalty percentage to HMC. HMC, on the other hand, had slowly increased its commitment to R&D innovation. Around the year 1999, the Hero group received a major shock -HMC announced the possibility of Honda Motorcycle & Scooter India (HMSI), which would initially manufacture scooters. By 2001, HMSI was up and running in India. This had certainly raised some doubts about the future of Hero-Honda Motors Ltd. By 2004 when the terms of the deal were again to be considered, HMC finally announced that it would introduce motorcycles under HMSI to the Indian market. Although HMC agreed to delay the entry of motorcycles into the Indian market, it never agreed to back down. It had prepared for this day years in advance by setting up dealership networks and a manufacturing plant.

According to different published sources, one of the major reasons cited for the breakup was when Honda asked HHML to increase supply of components from HMSI. Another important reason was that the terms of the JV agreement prohibited HHML from exporting bikes to promising foreign markets.

The above discussion summarizes some of the major reasons which led to the break-up. In highly competitive market, both groups wanted a bigger market share. HMSI became a direct competitor for HHML. Both offered similar, though not entirely identical product lines.

LITERATURE REVIEW

Consumer perception: a marketing concept that encompasses a customer's impression, awareness and/or consciousness about a company or its offerings. Customer perception is typically affected by advertising, reviews, public relation, social media, personal experiences and other channels.

In our research we have studied the consumer perception over the separation of Hero Honda joint venture. Following are the details of Hero -Honda joint venture and separation

Hero and Honda will be parting ways come 2011. Hero is all set to buy out Honda's stake. However their technology sharing agreement will continue for some time.



It will be interesting to analyse what gains each of them could have by the split.

Hero Honda even today remains to be **WORLD'S LARGEST SELLER OF TWO WHEELERS AND UNDOUBTED KING OF INDIAN MARKETS**. Then the question comes why are they parting ways???

Let's try to explain this.

Hero started with a spare part business and gradually started manufacturing bicycles. Looking at the growing markets Hero took help of Honda which had the technology. For Honda, local partner like Hero was a necessary both by choice and default. The then FDI norms and regulations made Honda look up for a Local partner.

Honda gave technology and leveraged upon low cost of production in India and also enjoyed distribution networks of their local partner. In past 15 odd years, Indian markets have witnessed a healthy growth in 'Four stroke Bikes' segment. Geared Scooters are history. 100% FDI is allowed in two wheelers. Nonetheless technology is not a legacy of only developed nations. Hero has the technological capability. On the other hand, HONDA is not as alien to Indian markets as it was 25 years ago. Honda knows Indian markets and Indian consumers very well and they have proven this through success of 'Active' scooters. Which takes us to the most common simple business principle-"If the cake can be enjoyed alone without anybody's help, why to share it?" This is a nearest explanation to the split from marketing perspective.

Well, it will be interesting to watch how? Indian consumers react to it 'Do they show faith in the home-grown company or still show their penchant for global products?

OBJECTIVES

- To find out the awareness about the separation of the Hero Honda joint venture
- To analyse the impact of various parameters leading to the buying decision
- To compare Hero v/s Honda based on customers perceptions

RESEARCH METHODOLOGY

Research Design

Descriptive and Quantitative.

Source of information: Questionnaire (primary data) having closed questions.

Primary Data Collection: Survey method.

Sample Design: Sample size is 100 and all samples to be collected from Hero-Honda users, who either use Hero-Honda Vehicle or now use Hero or Honda after using Hero-Honda. Non probability convenience sampling is used for frame of reference as Pune city.

DATA ANALYSIS AND INTERPRETATION

Data Presentation Techniques

Pie Charts, Bar Graphs and other charts using Microsoft Office Excel 2007.

1) Separation Awareness

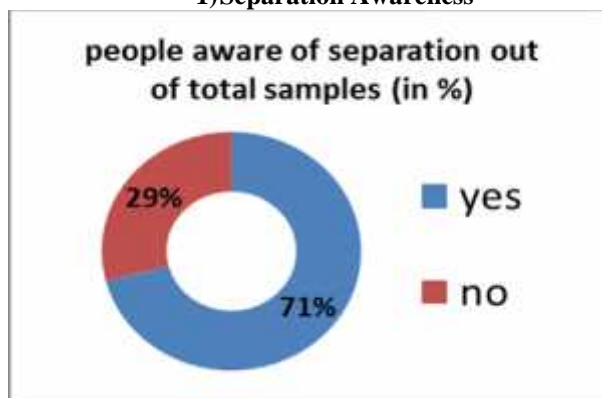


Chart 1. Separation Awareness



Interpretation

- 71% people are aware of Hero- Honda Separation.
- 29% people are not aware of Hero- Honda Separation.

2) Duration of awareness for separation of Hero-Honda Joint- Venture.

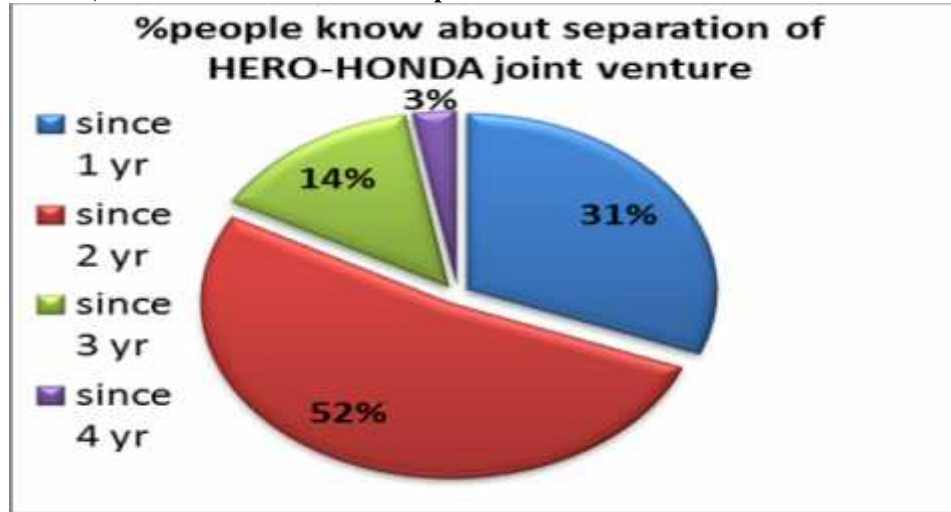


Chart- 2. Duration of separation awareness

Interpretation

- 31% people are aware of separation of Hero-Honda Joint Venture since 1 year.
- 52% people are aware of separation of Hero-Honda Joint Venture since 2 year.
- 14% people are aware of separation of Hero-Honda Joint Venture since 3 year.
- Only 3% people are aware of separation of Hero-Honda Joint Venture since 4 year.
- In June 2010 the Hero-Honda Joint Venture was separated but they started functioning separately in the year 2011. So we can see that only 3% people from those who know about the separation are aware about it ever since it took place.

3) Brand & Type wise distribution of respondents

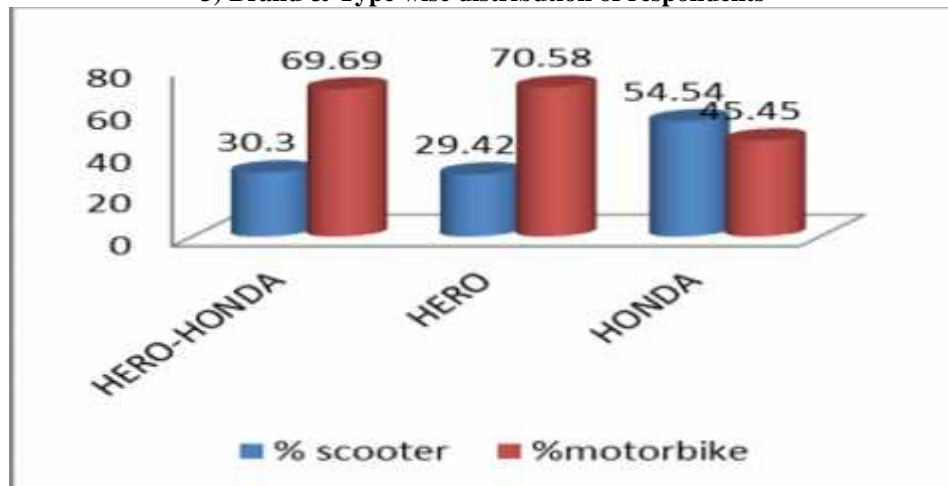


Chart - 3. Brand and type wise distribution of respondents

Interpretation

Hero Honda

- 69.69% people use Hero Honda motor-bikes.
- 30.3% people use Hero Honda scooters.



Hero

- 70.58% people use Hero motor-bikes.
- 29.42% people use Hero scooters.

Honda

- 45.45% people use Honda motor-bikes.
- 54.54% people use Honda scooters.

4) Satisfaction levels of different brands users

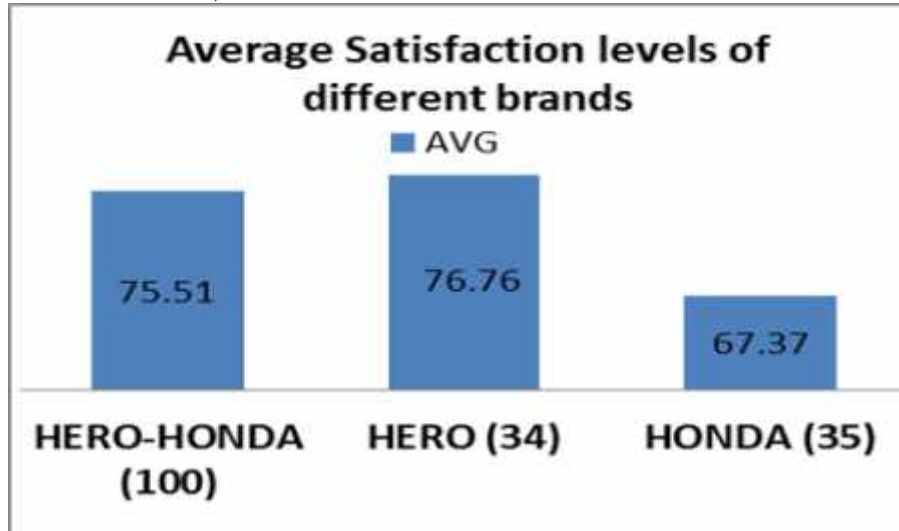


Chart - 4. Satisfaction levels of different brand users

Interpretation

Satisfaction level of Customers using mentioned brands

- Hero Honda – 75.51%
- Hero – 76.76%
- Honda – 67.37%

5) Areas where Hero can improve

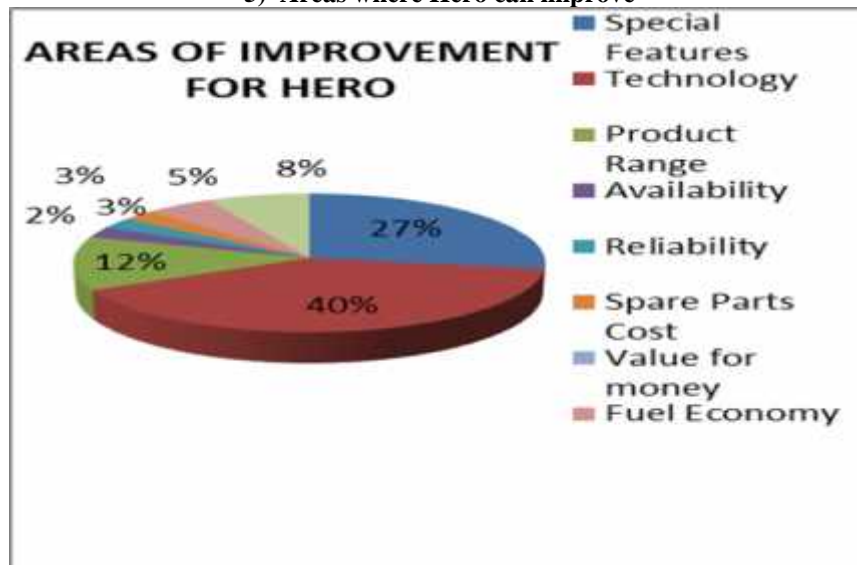


Chart - 5. Areas where Hero can improve



Interpretation

- Hero should majorly focus on its technology and Special Features.
- According to the Customers Hero should improve and introduced new technology and also should consider the product range.

6) Areas where Honda can improve

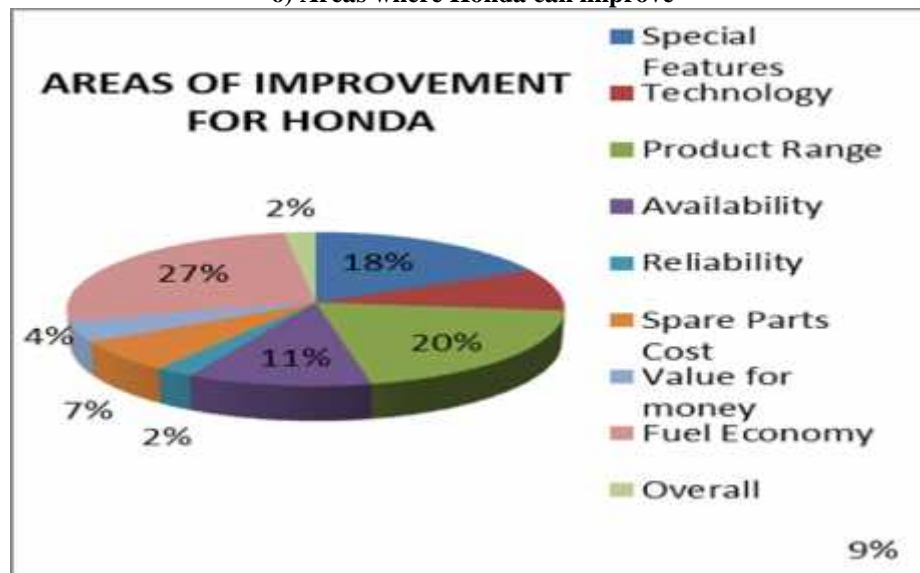


Chart - 6. Areas where Honda can improve

Interpretation

- According to the survey conducted customers are not happy with Fuel economy, product range and special features.
- So Major concern for Honda is to improve on their Fuel Economy and Product Range.

FINDINGS AND SUGGESTION

Findings

- The awareness about the separation of HERO and HONDA among the customers good in number.
- We found that Hero Honda and Hero (post separation) Motorbikes users are more in number as compared to scooters. On the other hand Honda has more scooter users compared to motorbikes.
- We found out that Hero Motor Bikes are most preferred by the men while women prefer Honda scooters.
- Satisfaction Level for the brands Hero Honda and Hero are almost same.
- We found out that customers are not happy with Hero's technology; special features and product range while with Honda's customers want the company to improve their fuel economy and product range.

Suggestions

For Hero

- Although most of the customers of Hero are satisfied with consistency in product quality but still there is scope for further improvement in total quality.
- The company needs to give prompt response on customer complaints; company can implement customer relation management (CR) to maintain customer relationship.
- Some of the customers are not satisfied by the technology, so the company needs to improve in their research and development.
- The company need to extent marketing department and employees in the marketing department to provide better service to the customer.
- It was seen that most of the people were not satisfied with availability of spare parts. The company should come up with solution as soon as possible.



- The Company should bring new model with new looks and style mainly motor bikes for Honda and scooters for Hero.

For Honda

- Company's technology is accepted the customers but it should work on overall satisfaction level of the customers.
- Most of the customers complained with the fuel efficiency, company needs to improve on this part.
- Product range in motorbikes should be considered and the company should come up with new stylish motorbikes.
- The Customer relations should be further looked upon so as to gain more customers in future as they are facing more challenges in the market.

LIMITATIONS

- The primary data was collected through interview and some of the information was provided by the assistant may be subjective and influence the study.
- During the survey appointment with the customer was one of the major limitations.
- Some of the customers where very harsh in talking as they were not interested to talk and so they did not give exact and clear information.

CONCLUSION

From the survey we were able to find that most of the customers were aware about the separation of Hero Honda joint venture. To gain more profits and to attract the customers it is very important to give better services at lower cost and by providing services to its customers brings five new customers while a dis-satisfied customer takes away fifteen customers.

During our survey, we found out that majority of hero customers are not satisfied with technology and its special features while Honda customers are not satisfied with the product range and fuel economy.

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