

# Influence of Price on Consumer Behavior in Motor Cycle Industry (With Special Reference to Hero Honda, Bajaj and TVS Companies, Andhrapradesh, India)

Dr.M.VIJAY KUMAR

Director-Dept of MBA ,VKR, VNB&AGK College of Engineering-Gudivada, Krishna (DT) A.P  
E-mail ID: vij654@yahoo.com

Dr.S.CHAND BASHA

Professor and HOD-Dept of MBA,St. Ann's Engineering College –Chirala-523157 AP  
E-mail ID: chandbasha\_ong@yahoo.co.in

Dasari.Pandurangarao,

Assistant Professor,Department of Marketing and Management,College of Business and Economics, Halhale,  
Eritrea-East Africa

Mail:dasaripanduranga@gmail.com

## Abstract

Price is arguably the most vital and important influence on the positioning of the product and its growth and hence has a direct impact on the volume of the sale of the product and share in the market. If put to the right and thoughtful use, effective pricing can earn a business organization a major and sustained share in a given market. A marketing manager can also maintain resale price of his product, maximize profit and achieve the targeted return on investment. As we know, price of any product can directly influence the demand factor and other factors of production of a product directly. Price fixation of any product is not simple and it depends upon several factors like product cost, availability of substitutes, demand, market share, and geographic factors and so on. Keeping all the factors which have direct and indirect bearing on consumer behavior, we have studied the responses of 1300 bike owners in the 9 districts of coastal Andhra Pradesh. Keeping the fixation of price of a product in view, the manufacturer has to think over the price of the product at four levels .i.e. *reasonable price, high price, low price and resale value of the product* and hence we have taken into consideration of the above said parameters to know their influence on the behavior of two wheeler owners and studied their attitude.

**Keywords:** Consumer Behavior, Value of the Product, Demographic Profile

## 1. INTRODUCTION

The amount of money charged for a product or service or the sum of the values that consumers exchange for the benefits of having or using the product or service all for-profit organizations and many nonprofit organizations set prices on their goods or services. Whether the price is called rent (for an apartment), tuition (for education), fare (for travel), or interest (for borrowed money), the concept is the same. Throughout most of history, prices were set by negotiation between buyers and sellers

**Reasonable price:** Price of any product can be fixed in accordance with cost of product, extra specifications, comforts and utilities added to the product. More over the offered price can be quite attractive to the maximum percentage of consumers. A price which can bring good returns to the manufacturer and very good satisfaction to the consumers is felt a reasonable price. We can rely upon reasonable price because it can definitely stabilize the market share fluctuations.

**High level price:** This factor can be decided by some important factor like, if the product is more comfortable and luxurious one, if the product is stuffed with latest technology, and if the product does not have any substitute at present and any upcoming one in nearby future, then only the manufacture can fix a high price more over more important other factories consumers psychology and purchasing power. If this factor is studied properly by conducting proper market survey, then the price of the product can be fixed at high level. High price of the product can definitely satisfy the 'status ego' of some consumers who believe the higher price, the more quality-but their percentage is less.

**Low price:** No manufacturer does not want to fix a low price for his product. We feel that it is low price when the price of the product is comparatively less than the price of its immediate rival substitute which has the same features and utilities and comforts. More over other important factor, we have to remember, that is-the manufacturer wants to fix a low price for his product only with a view to grab the maximum share of the market directly and to deliver a death flow to the immediate rival substitute product indirectly as a part of their vision strategy. But the most hidden danger in offering a product at low price may have some adverse effects on

manufactures image and company's reputation and loyalty. A part from these consumers may have a chance to suspect why the product is differed at low price unless its quality is an inferior one.

**Resale value:** While fixing the price for the product, the manufacturer has to take into his consideration the scope for its resale value. If the branded product has good reputation and very good feedback regarding company's reliability and dependability in the market definitely the manufacturer can fix a little bit high price because that does not affect the sales badly. So brand image place a key role in fixing the price of the product.

## 2. LITERATURE REVIEW

Consumer behavior is a massive and comprehensive study about the factors that directly and indirectly influence the decisions of purchase of a product by a consumer, and it would be pertinent at this point to mention various credible and acknowledged sources which have expressed their views on this subject. Though there are quite a few studies on impact of the marketing mix on Consumer Behavior, an effort is made to present different studies in newspapers, journals, magazines and also from the doctoral works.

Various Newspapers, journals, magazines, and also various doctoral works have been referred to get reliable information for the study.

Verma J.K. in "Why Marketing Research" highlighted the importance of Marketing Research in reducing the gap between producer and consumer.

Issar Renee, presented a clear picture of dissatisfaction, prevailing in middle class for the prices charged and services rendered for essential goods of inferior quality, in "Wanted Vigorous Consumer Resistance" initiating the series on "From the Consumers End".

The study "Consumer Survey", for textiles in Rourkela, conducted by the textile committee, observed the relationship between socio economic levels and possession of different garments by men, women and children, and patterns of purchase. The same committee<sup>3</sup> so observed, consumer preference for textile, frequency of consumer purchases, shopping facilities, and opinion of consumer and retailer regarding the availability and marketing facilities of textiles in rural areas.

Mahajan in "Inter Regional Homogeneity of Consumer Behaviour in India" studied the differences in consumer behavior in rural and urban areas.

Mehatha and Parsuram probed into the "Impact of Price and Brand Name on Consumer Choice"... Nandi M. in his "Purchasing Models under an Increasing Price Trend", probed into the influence of price on quality and consumer adoption process for new product particularly in the agriculture field was also explored upon.

Das V. Mukunda in his "Rural Markets for Consumer Durables in India" probed into performance of high income segment in the rural area, in terms of agriculture input and consumer goods.

Raman Rao and others in their study on "Zeroing in on the Buyer" analyzed the use of profile, buying motives, store loyalty, brand loyalty, and also the chief decision maker in the buying process.

Patricia M. Anderson and Xiaohong He in their research entitled "Price influence and age segments of Beijing consumers" described the culture, social forces, marketing mix and consumer behavior for durables and non durables (Cameras, cosmetics, fast food restaurants and soft drinks) are in earlier lifecycle stages in the PRC than in the USA, and represented a price/durability continuum.

Elizabeth S. Thomson Angus W. Laing and Lorna McKee found out the influences of child on the family purchase decision making in their research paper titled "Family purchase decision making: exploring child influence behavior".

## 3. OBJECTIVES OF THE STUDY:

The core objective of the study is to assess the price influence on consumer in motorcycle industry. The specific objectives of the study are:

- A. To understand brand preferences among bike consumers
- B. To understand the influence of elements of Price on the consumer behavior
- C. To make a comparative analysis of consumer behavior for given 3 bikes
- D. To suggest a suitable marketing strategy for two wheeler manufacturer.

## 4. HYPOTHESIS:

This study is "to understand the influence of Price elements on consumer Behavior".

**Ho= Elements of Price do not influence the consumer behavior**

**H1= Elements of Price influence the consumer behavior**

## 5. RESEARCH DESIGN AND METHODOLOGY:

The research design is primarily exploratory and analytical in nature. Information was collected by conducting personal interviews with employees at the regional offices of the company, dealers, consumers (Bike Owners)

and also with the mechanics with the dealer and at various mechanic shops in the selected areas of the state. An effort is to be made to know whether the behavior of the bike owners is influenced by the 4 Ps of the Marketing Mix or not. The study is mainly based on the data collected from both Primary and Secondary sources.

The secondary data is collected from the company records available at the regional offices, websites and also at the dealers. An effort has also been made to present different studies in newspapers, journals, magazines and also from the doctoral works

First hand information is collected by conducting personal interviews with employees at the regional offices of the company, dealers, consumers (Bike Owners) and also with the mechanics, dealers and at various mechanic shops in the selected areas of the Coastal Andhra. For this purpose a structured questionnaire is drafted and distributed for circulation that covers all districts of coastal Andhra Pradesh.

**5.1 Period of study:** The present study is spread over 5 years: 2008-2009 to 2012-2013

**5.2 Sampling procedure:** Sample is selected on basis of convenient sampling method. 1300 consumers are selected for the purpose of the study to analyze the influence of price on the consumer behavior. More number of consumers is taken from urban areas than rural areas, the reason for this is since urban areas are highly populated and the requirement for using motor cycles is very high. District wise sample is presented in the table.1

**Table -1: District wise sample**

S.no	Name of the District	Urban	Rural	Sample Size
1	Srikakulam	85	55	140
2	Vijayanagaram	80	60	140
3	Visakhapatnam	95	65	160
4	East Godavari	95	65	160
5	West Godavari	100	70	170
6	Krishna	90	55	145
7	Guntur	85	45	130
8	Prakasam	75	50	125
9	Nellore	80	50	130

*Source:* survey reports

## 6. RESULTS AND DISSCUSSION:

**Buyers Perception on various elements of Price :**A well designed questionnaire with Likert's five-point scale is distributed among the respondents and based on their opinions, percentages, averages and chi- square values are calculated and the opinions of the respondents are summarized for the purpose of the analysis.

**Table – 2: Buyers Perception on various elements of Price**

CONSUMER PROFILES		ELEMENTS OF PRICE			
		Reasonable Price	High Price	Low Price	Good Value Resale
AGE	18-25 Years	Bajaj	Hero Honda	Bajaj	Hero Honda
	25-35 Years	Bajaj	Hero Honda	Bajaj	Hero Honda
	Above 35 Years	Bajaj	Hero Honda	Bajaj	Hero Honda
PROFESSION	Student	Bajaj	Hero Honda	Bajaj	Hero Honda
	Business	Bajaj	Hero Honda	Bajaj	Hero Honda
	Govt. Employee	Bajaj	Hero Honda	Bajaj	Hero Honda
	Pvt. Employee	Bajaj	Hero Honda	Bajaj	Hero Honda
INCOME	Below 50,000	Bajaj	Hero Honda	Bajaj	Hero Honda
	Rs 50,000-1Lakh	Bajaj	Hero Honda	Bajaj	Hero Honda
	Rs 1Lk- 2.5Lks	Bajaj	Hero Honda	Bajaj	Hero Honda
	Above 2.5 Lakhs	Bajaj	Hero Honda & TVS	Bajaj	Hero Honda & TVS
EDUCATION	School	Bajaj	Hero Honda	Bajaj	Hero Honda
	Graduation	Bajaj	Hero Honda	Bajaj	Hero Honda
	Post Graduation	Bajaj	Hero Honda	Bajaj	Hero Honda
	Professional	Bajaj	Hero Honda & TVS	Bajaj	Hero Honda & TVS
FAMILY SIZE	1-3 Persons	Bajaj	Hero Honda	Bajaj	Hero Honda
	3-6 Persons	Bajaj	Hero Honda	Bajaj	Hero Honda
	6-10 Persons	Bajaj	Hero Honda	Bajaj	Hero Honda
AREA	Rural	Bajaj	Hero Honda	Bajaj	Hero Honda
	Urban	Bajaj	Hero Honda	Bajaj	Hero Honda

Source: Primary Data

Consolidated table-2 reveals the opinion of the customer's towards different elements in price. To know the opinion of the two wheeler customers on different two wheeler companies (Hero Honda, Baja and TVS) as per different parameters like age, profession, income, education, family size and the area they are living have been studied and the results are presented in the table. Four important elements in the price like reasonable price, high price, low price and resale value of the bike are taken into considerations. Based on the data, the percentages, weighted averages and chi-square values are calculated.

After having studied the presented data in the table, it can be interpreted that customers expressed that Bajaj bike are priced at reasonable level and in some segment they are available in low prices also when compared with Hero Honda bikes. But the resale value of Hero Honda bikes is very good in all segments. Biker's socio-economical conditions are also studied in our research work. We found out some interesting results about how socio-economical factors and elements of price are depending on each other. As far as profession is concerned students, business people, and employees have expressed their opinion even though the price of the Hero Honda bikes is high at the time of purchase, they can be disposed at good price also. That is why most of the bikers go for Hero Honda bikes despite its high price in Indian two wheeler markets.

Even income wise surveys are revealed the same results. But as per their income levels per annum they opt for different bikes in different segments. The overall impression of all the respondents in our study have come to one conclusion that even through the Hero Honda bikes price are very high, in any case if they want to shift to some other segment of bikes easily they can be disposed and replace some other bikes. The respondents whose annual income is above Rs.2.5 laks opined that on par with Hero Honda bikes the prices of TVS bikes are also high and disposed at good resale value. The same trend has been observed throughout our research work.

**Table No- 3: Calculation of Chi-Square values for different elements of Price**

<b>Calculation of Pearson chi-square values for Reasonable Price</b>			
<b>Demographic Profile Of Buyers</b>	<b>Chi-Square Values</b>	<b>Degrees Of Freedom (Df)</b>	<b>Level Of Significance (Ls)</b>
AGE	11.658	8	0.167
PROFESSION	22.107	12	0.036
INCOME	17.617	12	0.128
EDUCATION	18.792	12	0.094
FAMILY SIZE	8.873	8	0.353
AREA	2.433	4	0.657
<b>Calculation of Pearson chi-square values for High Price</b>			
AGE	16.471	10	0.087
PROFESSION	34.176	15	0.003
INCOME	16.553	15	0.346
EDUCATION	9.941	15	0.823
FAMILY SIZE	36.497	10	0.000
AREA	5.502	5	0.358
<b>Calculation of Pearson chi-square values for Low Price</b>			
AGE	16.471	10	0.087
PROFESSION	34.176	15	0.003
INCOME	16.553	15	0.346
EDUCATION	9.941	15	0.823
FAMILY SIZE	36.497	10	0.000
AREA	5.502	5	0.358
<b>Calculation of Pearson chi-square values for Good Resale Value</b>			
AGE	2.732	8	0.950
PROFESSION	26.529	12	0.009
INCOME	13.829	12	0.312
EDUCATION	29.170	12	0.004
FAMILY SIZE	9.144	8	0.330
AREA	2.139	4	0.710

### **Conclusion**

Every consumer looks at a product value in terms of features, uses, how it fares in comparison with competing products etc. Price is the bottom-line, and it encompasses all facets of a product's worth. For the layman, price is all about being reasonable, whether the price is low or high, and as is the case with an Indian consumer, the resale value of a product when it loses its shelf life.

While the general feeling is that price of a product drives its sales and demand, it is also a fact that there are products in which, the higher the price the higher the sale. There are products which sell in spite of spiraling prices, gold for instance. This gives rise to questions like:

1. Is the price of a product the major consideration?
2. Is the value of the product a major consideration?
3. Is it a combination of product value and price which clinches the deal?

A closer look would reveal that it is a combination of price and value of the product which ideally decides the demand for a product, which is also called 'value for money' in general parlance.

Let us take into consideration our current subject for study, consumer behavior of motorcycle buyers of different hues. All the different tables which were made revealed that people across ages, income groups, education, family size and area of living felt that, barring a few exceptions, Hero Honda was not low in price, neither reasonable in price, nor high in price. But, it is too well known that Hero Honda is the most preferred motorcycle for purchase. What has clinched the issue for this brand is that it has proved itself in lots of counts like accessibility for purchase, after-sales service, availability of spare parts etc. It has during this study of influence of Price, Place and Promotion on its sales, outdone TVS and Bajaj on most counts.

This proves that while reasonable price, low price and not high price is the general expectation of the potential customer, it is also important that the image of the product in the end-user's mind is that of a durable and smart investment and possible return of investment in the longer term. Hero Honda has scored on the most important counts as these, and hence it is the 'numero Uno' of motorcycles.

A customer would not mind paying more for a product which meets his key needs first, and then supplementary needs, any other benefits from such a product is looked at as a bonus.

A couple of important points must also be considered, that the other brands have failed to 'rise to the occasion' and Hero Honda, like all the other top products, has done its groundwork well and reaped the rewards for the intelligence, judgment and maturity shown in the nascent stages when the product was 'finding its feet', so to say.

The same goes with all organizations and product that vie for dominating market share or having loyal customers who would stick to them through most times.

To summarize the findings of the survey conducted on various cross sections of people starting with age, profession, income groups, those pursuing education, size of family and those residing in Rural and Urban areas, barring a few exceptions:

1. Hero Honda motorcycles are distinctly costlier than TVS and Bajaj motorcycles
2. TVS motorcycles are lesser in cost than Hero Honda motorcycles and have a moderate resale value.
3. Bajaj motorcycles are the most reasonable, lower in cost than TVS and Hero Honda, according to a greater number of all those surveyed going across all the different groups.

**So, the verdict is:**

- If cost is not a constraint, then purchase Hero Honda motorcycles. In the long run resale value can offset the initial high cost of purchase, if the idea is to exchange the vehicle sometime in the future.
- If cost is a minor constraint and retention of the vehicle is the idea in the long run and not disposal, then TVS motorcycles are worth purchasing.
- If price or cost is the first consideration, for initial affordability, then Bajaj motorcycles are better for purchase. But the buyer must be prepared to retain the vehicle for a long time as resale value will be low.

**References:**

- Arvind I. Korba. (1994), "Marketing Modes", Kalyani Publishers, New Delhi, India.
- Christopher White, (2005) "Satisfaction emotions and consumer behavioral intentions", Journal of Services Marketing, 19 (6):pp. 411 – 420.
- Das V. mukunda (1985). "Rural Markets for Consumer Durables in India", Institute of Rural Development.
- D'Souza, Osborne, (1989), "Is The Rural Market A Mass Market?" Indian Management, 28(11):pp. 4-8.
- Elizabeth S. Thomson, Angus W. Laing and Lorna McKee (2007) "Family purchase decision making: exploring child influence behavior". Journal of consumer behavior, 6(4):pp.182–202.
- Issar Renee, (1963) "Wanted Vigorous Consumer Resistance", Monthly Commentary on Indian Economic Conditions.
- Kapoor M.C. (1977) "Rural Retail Marketing: A Pilot Study" Par-I Indian Management, 16(1):pp.21-28.
- Kotler, P. (2000), "Marketing Management. (10th Ed.). New Jersey, Prentice-Hall.
- Mahajan M.P. (1971), "International Homogeneity of Consumer Behavior in India", Arth Vignana, 13(1):pp.1-37.
- Mehta S.C, Parasuraman.A. (1972), "Impact of Price, Brand on Consumer Choice - An Experimental Study", Economic Times March 21 and 22.
- Nandi M. (1975), "Purchasing Models Under an Increasing Price Trend", Indian Institute Of Management, Calcutta.
- NeelameghamS. (1977),"Management Development: New Perspectives and View Points", Kalyani Publishers, Ludhiana, India.
- Patricia M. Anderson and Xiao Hong (1998), "Price influence and age segments of Beijing consumers",

---

Journal of Consumer Marketing, 15(2):pp.152 – 169.

- Ramana Rao P.V. Shekhar V. and Venkateswarlu H. (1989), "Zeroing in on the Buyer", Business World, Bombay, 4(17).
- Ramanand V.S. (1972), "Product Strategy and Rural Marketing", Indian Journal of Marketing, 2(5): pp.22-25.
- Verma, J.K. (1963),"Why Marketing Research?" Indian Management, 2(6).



The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:

<http://www.iiste.org>

### CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

**Prospective authors of journals can find the submission instruction on the following page:** <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

### MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Academic conference: <http://www.iiste.org/conference/upcoming-conferences-call-for-paper/>

### IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

