RESEARCH ARTICLE

An exploratory study of factors influencing manufacturer-dealer relationship in Indian automobile industry

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Abstract
The purpose of this study is to explore critical factors that define the level of satisfaction and bond of relationship between automobiles companies and their dealerships. Indian automobile industry is one of the world's fastest growing industries and the success of auto companies is largely depends on their robust and healthy dealer network. In this paper, we attempt to identify critical factors which can influence the relationship of manufacturers and dealers. The research is based on a survey carried out in the Pune region of Maharashtra, where we focused on identified critical factors of mutual relationship. It was also noted that new-age auto dealership owners are looking forward to relationships beyond just return on Investment. Using statistical data analysis, we also attempt to identify the most critical factors that can influence dealer-original equipment manufacturer relations. These factors were return on investment, future growth potential, support from the OEM team, involvement in policy decision-making making and supply of quality products. The results also indicate the roles and responsibilities of an OEM in building strong relationships with its dealers to improve sales.

Keywords: Manufacturer-dealer relationship, Automobile industry, Automobile retail, Dealer satisfaction, Influencing factors, Dealer profitability.

Introduction
This study presents an overview of factors that influence the automobile dealer's satisfaction and its impact on the manufacturer-dealer relationship.

The India's automobile industry is one of the leading industries in the world. It has recently crossed Japan to become the 3rd biggest automobile market in the world (Economics Times, 2023). The Indian automobile manufacturer, also referred as original equipment manufacturer (OEM) has come long way to achieve this milestone. The post globalization era or reforms which started taking place post 1991, boosted the growth of Indian automobile sector. It was the period, where world started looking India as a "Future market" which was emerging and rapidly developing among other developing nations.

As per Table 1, (SIAM, 2023) The upward trend in numbers of sales for both these segments not only reflects the indicators of Indian economy but it is also largely contributing to the GDP of the country.

Since inception of the evolution of Indian automobile industry, the OEMs have building strong and robust network of exclusive and independent dealerships across the country. These dealerships are not just customer face of OEMs but called as a true backbone for the automobile industry. The automobile dealers play a vital role connecting with OEMs product and its customers. The entire buying experience as well as aftersales support for all the entry segment to high-end vehicles are largely carried out by the dealerships and they are treated like brand ambassadors for the OEMs. Today India has presence of almost all global automotive manufactures and also India's is now turning as the one of the largest exporters of the vehicles. Favorable govt. policy support and investment push, availability of skill labor, abundant resources and large addressable market made every global OEMs to establish their base in India with aggressive retail strategies.

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Table 1: Automobile domestic sales trend (nos. in million)

	Four wheeler's	Two- wheeler's	Commercial vehicle	Total sales
2021-22	3.1	13.5	7.1	23.7
2022-23	3.9	15.8	9.6	29.3
2023-24	4.2	17.9	9.7	31.8

Source: Society of Indian Automobile Manufacturer

While OEMs are largely dependent on dealerships to retail their product subsequently with the customers' expectations from vehicle manufacturer in terms of product offerings such as technology, quality, features etc. are keep on changing and thus creating challenges for every OEMs to be ahead in the race. This also highlights the importance of OEM-dealer communications and relationship to deliver uniform customer experience across the retail format.

The objective of this paper is to study the OEM – dealerships relationships and determine the critical factors that influences this relationship. It is against this backdrop; the paper also attempts to statistically analysis the selected factors and its severity.

The paper is divided into below four sections:
- Literature review.
- Research design & methods
- Analysis and discussion.
- Conclusion

Review of Literature

With its interlinkages with other industrial sectors, the Indian automobile industry is considered as a major driver of countries manufacturing gross domestic product (GDP), exports and employment (Miglani, 2019). With evolution of e-commerce, now customers literally can buy anything online, they can compare the products, different brands, prices and often get better deal as compare to direct purchase through any store. While all other industries are going through these technological changes, the automobile industry too adopted this culture, however in India, the traditional dealership network still dominates the sales.

In past many studies has been taken place on determining automobile customers satisfactions and loyalty to specific brand however very few literatures are available on OEM-dealer relationships and how its impact the overall buying experience of the end customer.

As per, (Bloemer, 1992) the brand loyalty depended on customer satisfaction with the car as well as loyalty to the dealer.

As per (Berckhan, 2015) what can decide and determine their competitive advantage are business relationships. However, so far little attention has been paid to the business networks and business relationships in the sales and distribution channel. This is somehow surprising, as the sales and distribution channel, which originates in the automotive industry with the OEM and relationship chain down to the final customer (Weitz, 1995). Distribution channel being a strategic asset, channel partners need to be nurtured and retained by manufacturers which calls for a relational orientation. As explained earlier channel or dealer partners are to be treated at par with the customers. Marketers therefore have to understand what the channel members seek in a relationship, for establishing and maintaining mutually beneficial relationships with them.

Our literature study shows that, in past scholars has widely studied various factors around dealer or retailers' satisfaction level toward its manufacturer and impact on mutual relationship. However, most of these studies take a static view of channel relationships which not only limits our understanding of these relationships but also fail to capture their life-cycle progression (Harmeling, 2015).

As per article published in Harward Business Review, (Fites, 1996) local dealers who are long-established members of their communities can get closer to customers than a global company can on its own; but to tap the full potential of such dealers, a company must forge extremely close ties with them and integrate them into its critical business systems. When treated in this way, dealers can serve as sources of market information and intelligence, as proxies for customers, as consultants, and as problem solvers.

With changing dynamics of Indian automobile industry, the study of OEM – Dealer's relations with respect to the factors of influence becomes very important for all the industry stakeholders. As none of the latest studies captured these aspects and hence there is a need of carrying out exploratory study.

This paper aims at first level identification of different factors that determine and impacts largely on OEM – dealer relationship. The findings aimed at helping the OEM to build their channel management strategy around focusing these factors to build healthy and profitable relationship with dealer partners. Distribution channels have historically been and continue to be a common method of distributing goods and services to end-consumers (Heide, 1990). They provide a unique opportunity to study B2B effects of brand strength as a manufacturer brand is an important factor of a dealership performance (Glynn, 2010).

(Mukherjee, 1999) conducted a cross-national comparison of automobile OEMs and dealers' distribution and resulting performance observed in distribution/dealer network.

Research Design and Methods

On the basis of the review of literature, a brief questionnaire was designed for capturing views of dealership owners also termed as dealer principal (DP) in automobile fraternity. The structured self-administrated questionnaire was developed to identify different factors impacting OEM–dealer relations and further evaluated basis scales of measurements.
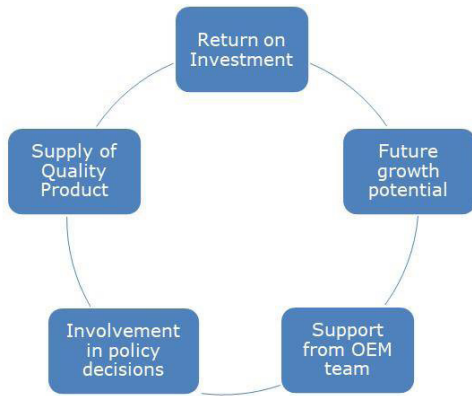
Figure 1: Factors influecing dealer-OEM relationship

The survey was carried out in Pune city of Maharashtra, India and a sample size 144 automobile dealers from select OEMs were selected for the study. Dealerships from commercial vehicle, construction equipment's and tractors were excluded from the study due to limited sample size and not being a true sample to compare with passenger car and two-wheeler dealers. The dealers of evolving electric vehicle industry also excluded understanding non stabilization of dealer network.

An analysis was done basis the main identified 5 factors, shown in Figure 1, which can influence dealer-OEM relationship.

The data collected through survey was further analyzed by using statistical tools. The model was constructed with the dependent variable, "Overall satisfaction," and a set of predictor variables as mentioned above along with other factors.

These predictors were considered as essential elements that could potentially impact overall relationship of dealerships with automobile OEMs. The regression analysis provided the impact of various factors on overall satisfaction, providing valuable insights into which factors had a significant influence and to what extent. The results of this analysis were found crucial for understanding the dynamics of dealer satisfaction in the automotive industry and could serve as a basis for informed decision-making processes to enhance overall satisfaction among dealers.

Analysis and Discussion

We examined different factors and their impact on dependent variables. The model summary as per Table 2.

The statistics provided valuable insights into the strength and quality of the regression model. The "R" value of 0.600 indicated the correlation between the independent variables and the overall satisfaction. The "R square" value of 0.360 indicated that 36% of the variance in overall satisfaction was explained by the predictors in the model. The "Adjusted R square" of 0.310 considered the number of predictors and indicated the proportion of variance that the model accounted for while considering the degrees of freedom.

Table 2: ANOVA[a] model summary

Dependent Variable: Overall satisfaction
All requested variables entered.

Model summary				
Model	R	R Square	Adjusted R square	Std. error of the estimate
1	.600a	0.360	0.310	0.728

Predictors: (Constant), Product quality & Reliability, Future growth potential, Return on Investment - Dealer Profitability, Support from OEM team, Involvement in Policy decision Making

The "Std. error of the estimate" was 0.728, which represented the standard error in predicting overall satisfaction based on the selected predictors. A lower standard error suggests a more accurate model for predicting overall satisfaction. This regression analysis used to quantitatively evaluate the impact of various factors on overall satisfaction, providing valuable insights into which factors had a significant influence and to what extent. The results of this analysis were crucial for understanding the dynamics of dealer satisfaction in the automotive industry and could serve as a basis for informed decision-making processes to enhance overall satisfaction among dealers.

As per Table 3 the coefficients provide valuable insights into how each predictor variable influences "Overall satisfaction." Here's a breakdown of the key elements from the table:

Product Quality and Reliability

This predictor variable has a coefficient of 0.314, and its standardized coefficient (Beta) is 0.259. The standardized coefficient represents the change in "Overall satisfaction" associated with a one-standard-deviation change in the predictor variable.

Return on Investment - Dealer Profitability

This predictor has a coefficient of 0.233 and a Beta of 0.242, indicating a statistically significant positive impact on "Overall Satisfaction." The "t" value of 2.668 and the "Sig." value of 0.009 confirm the significance. The proportion of the square of the Beta coefficient is 27.0%, ranking it second in terms of influence.

Future Growth Potential

This predictor has a coefficient of 0.193 and a Beta of 0.183, indicating a statistically significant positive impact on "Overall satisfaction." The "t" value of 2.024 and the "Sig." value of 0.045 confirm the significance. The proportion of the square of the beta coefficient for this variable is 15.4%, ranking it third in terms of influence.

Support from OEM Team

With a coefficient of 0.091 and a beta of 0.082, "Support from OEM team" has a relatively minor impact on "Overall satisfaction." The "t" value of 0.884 and the "Sig." value of 0.378 suggest that this variable is not statistically significant.

Table 3: OEM–dealership relations: Coefficients of correlation

Model	Unstandardized coefficients		Stand. coefficients	t value	Sig.	95.0% Confidence interval for B			
	B	Std. Error	Beta			Lower bound	Upper bound	Beta* beta	Wtg avg
(Constant)	0.723	0.645		1.121	0.264	0.341	2.897		
Product quality and reliability	0.314	0.086	0.259	3.649	0.000	0.028	0.497	0.06	30.8%
Product supply support	0.003	0.098	0.003	0.033	0.974	-0.244	0.197	6.66	0.0%
Marketing support	0.137	0.089	0.144	1.542	0.125	-0.102	0.301	0.02	9.6%
Return on investment - dealer profitability	0.233	0.087	0.242	2.668	0.009	-0.018	0.388	0.05	27.0%
After sales support	-0.208	0.112	-0.159	-1.863	0.065	-0.484	-0.001	0.025	11.7%
Training - support	0.055	0.117	0.040	0.468	0.641	-0.163	0.351	0.001	0.7%
Involvement in policy decision making	0.052	0.100	0.050	0.517	0.606	-0.227	0.229	0.002	1.1%
Fair trade practices	-0.035	0.096	-0.030	-0.362	0.718	-0.214	0.212	0.0009	0.4%
Future growth potential	0.193	0.096	0.183	2.024	0.045	-0.026	0.387	0.0335	15.4%
Support from OEM team	0.091	0.103	0.082	0.884	0.378	-0.116	0.324	0.0067	3.1%
Channel development	0.020	0.104	0.017	0.188	0.851	-0.224	0.222	0.0002	0.1%
a. Dependent variable: Overall satisfaction								0.17	

(Model column shows "1" spanning the data rows.)

Involvement in Policy Decision Making

With a coefficient of 0.052 and a beta of 0.050, "Involvement in policy decision making" has a minor impact on "Overall Satisfaction." The "t" value of 0.517 and the "Sig." value of 0.606 indicate that this variable is not statistically significant.

Supply of Quality Product

The "t" value of 3.649 and the "Sig." value of 0.000 indicate that "Product quality and reliability" has a statistically significant positive impact on "Overall satisfaction."

Additionally, the proportion of the square of the beta coefficient (30.8%) reveals the relative importance of this predictor among all variables, ranking it first in terms of influence.

Overall, the co-efficient Table 3 provides valuable insights into the relationships between the predictor variables and "Overall satisfaction." It reveals which variables have statistically significant impacts and their relative importance in explaining variations in dealer satisfaction within the automotive industry. The analysis has yielded significant insights into the factors that most profoundly impact dealer satisfaction index (DSI) within the automotive industry. By examining the standardized Beta coefficients, we can determine the relative importance of these factors and their contribution to overall dealer satisfaction.

At the forefront, "Product quality & reliability" emerges as the single most influential factor, explaining a substantial 30.8% of the variance in DSI. This means that a strong emphasis on product quality and reliability plays a pivotal role in enhancing dealer satisfaction, making it the top-ranking factor.

Closely following is "Return on investment - Dealer profitability," which carries a considerable impact of 27.0%, positioning it as the second most significant factor. A positive correlation between dealer profitability and satisfaction underscores the importance of this variable. "Future growth potential" secures the third position, contributing 15.4% to the explanation of DSI. This suggests that dealers place great value on the prospects for future growth and development within the automotive industry.

In conclusion, this analysis highlights the importance of focusing on "Product quality & reliability" and "Return on investment - Dealer profitability" as the top two drivers of dealer satisfaction index (DSI) within the automotive industry. These factors deserve close attention and strategic efforts to enhance overall dealer satisfaction. The other factors, while contributing to DSI, have relatively lower impacts and should be considered in a broader context of holistic strategies for improving dealer satisfaction.

Conclusion

Automotive industry, like all other major industries, has multiple layers and stakeholders involved in its entire value chain. The automotive value chain describes the sequence of activities and processes that are involved in the design, manufacture, delivery, and maintenance of vehicles. It includes all of the stakeholders who are involved in these activities, from raw material suppliers to automakers to dealerships to consumers.

There are several factors that influence the automotive dealer market so it was important for us to understand key factors that has driven the market as a whole. The relation

of various factors impacting dealer's satisfaction is a critical aspect of understanding how dealerships perceive their collaboration with OEMs and the overall satisfaction levels they experience. By quantitatively evaluating the factors with the 144-dealer sample, the research shed light on the interconnection of each critical elements that influenced dealer satisfaction within the community.

The findings offered valuable insights for OEMs and other stakeholders in the automotive industry, enabling data-driven decision-making processes and the development of strategies to enhance dealer satisfaction.

Acknowledgment

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