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## **Dynamics of Business in Automobile Service Industry with Special Reference to Tambaram**

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### **Abstract**

Automobile repairing and servicing is a most commonly known activity in almost all urban areas where all types of motor vehicles like cars, buses, lorries, jeeps, etc are given for service and repairs. Regular maintenance and servicing of vehicles is required for safe driving and durability of the vehicles. Improper maintenance of vehicles, present conditions of roads, irresponsible driving, using cheaper spare parts, etc are the main reasons to send the vehicles for repairs and maintenance.

Service station is the most essential unit to vehicle users. This unit can be established in urban, semi-urban and village areas to meet the local requirement. Candidates having good experience or qualified persons can start this unit with low investment. There is good demand for automobile service centre due to increase in the number of vehicles day to day. After implementation of globalization and Privatisation, many multi-national companies competing with each other and introduced many models of 4-wheelers and 2-wheelers. Besides, the purchasing power of the people also increasing considerably and it becomes fall under necessary item in the cities/urban areas especially for business persons and salaried persons.

**Keywords:** Dynamics, Business, Automobile Service Industry, Tambaram

### **1. Introduction**

The services sector, with around 52 per cent contribution to the Gross Domestic Product (GDP) in 2014-15, has made rapid strides in the past decade and a half to emerge as the largest and one of the fastest-growing sectors of the economy. The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

The services sector contributed US\$ 783 billion to the 2014-15 GDP (at constant prices) growing at CAGR of 9 per cent, faster than the overall GDP CAGR of 6.2 per cent in the past four years.

Out of overall services sector, the sub-sector comprising financial services, real estate and professional services contributed US\$ 305.8 billion or 20.5 per cent to the GDP. The sub-sector of community, social and personal services contributed US\$ 188.2 billion or 12.6 per cent to the GDP. The third-largest sub-segment comprising trade, repair services, hotels and restaurants contributed nearly equal or US\$ 187.9 billion or 12.5 per cent to the GDP, while growing the fastest at 11.7 per cent CAGR over the period 2011-12 to 2014-15.

### **Statement of the Problems**

The automobile service industry is growing day-by-day. It has only upward slope because of the increasing usage of vehicles. In Tambaram the study area, as it is a thickly populated urban area with socially and economically well to do people. The usage of automobiles is high in number. As a result of it many automobile servicing units are found in this area and its number is increasing steadily. Even though it has become one of the important jobs giving living bread of many in this area, as it is not an organized industry, no serious study has been made on this important segment of service industry. A study on its business dimensions is significant as it would help people to understand its role in service sector and the areas for

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improvement in general and the service units owners to carry out their business effectively and profitability in specific. In this sense this study has been undertaken.

**Objectives**

This study has been made with this following as its specific objectives

- ✓ To understand profile of the automobile service units in the study area.
- ✓ To examine the profitability of automobile service units.
- ✓ To find out the risk factors existing in automobile service industry.
- ✓ To analysis the dimensions of changes in automobile service industry.
- ✓ To assess the opportunities and threats to automobile service industry in the study area.
- ✓ To give amicable solution to the problems and threats to automobile service industry in the study area.

**Methodology of the Study**

**Selection of sample**

The present study has been conducted among the owners of automobile service units in Tambaram. A sample of 30 respondents representing the universe. Were selected for the study and they were chosen on convenience sampling basis.

**Data collection**

Both the primary and secondary data have been used in this study. The researcher collected the primary data through a

pre structured interview schedule. The secondary data were collected from books, journals and internet.

**Data processing**

After having collected the primary data the researcher thoroughly verified the data and edited and coded them in a master table. Then they were converted in to tables and statistical tools such as percentages diagrams and ranking analysis were used for processing the data and for drawing inferences.

**Scope and Limitation of the Study**

The present study has been undertaken on the dynamics of business of automobile service industry in Tambaram It is a descriptive study which aims at analyzing and assessing the various dynamics of business in automobile service industry and it is subject to this following limitation.

1. No previous researcher work is found these fields.
2. The study materials available on this topic are very limited and not sufficient.
3. Since the study is based mostly on primary data, the researcher has to depend only on the information given by the respondents. Which in many cases is in sufficient and not clear

All these limitations leave loopholes in this study

**Risk factors in automobile service industries – Ranking analysis**

Ranks by respondents									
Risk factors	1 (R1)	2 (R2)	3 (R3)	4 (R4)	5 (R5)	6 (R6)	7 (R7)	8 (R8)	Cumulative score *
Fluctuating demand	4	2	7	4	1	6	5	1	115
Poor debt recovery	2	5	2	2	7	4	5	3	126
Tough competition	6	4	6	5	3	3	2	1	163
Lack of supply of tools and materials	3	2	6	9	3	2	3	2	146
Obsolescence of technology	4	4	4	6	4	3	1	4	145
Lack of labour supply	6	7	2	3	6	3	2	1	162
Labour turn over	4	5	2	1	3	5	9	2	141
Accident and loss of assets	2	0	1	0	3	4	4	16	78

Source: primary data

$$\text{Cumulative score} = R1*8+R2*7+R3*6+R4*5+R5*4+R6*3+R7*2+R8*1$$

**Risks in the industry**

Risk means uncertainty and risk factors refer to the factors leading a business to uncertain conditions and profitability. In the automobile service industry of the study area eight factors have been identified as these risk factors from the experience of the service unit owners. They are: fluctuating demand, poor debt recovery, tough competition, lack of tools and materials, obsolescence of technology lack of labour supply, labour turnover and accidents and loss of assets. The ranking analysis on Garret ranking principles rewards those tough competitions and lack of labour supply and the most important risk factors with high scores of 163 and 162 respectively. They are followed by lack of tools and materials, obsolescence of technology and labour turnover.

**Summary and conclusion**

The term automotive services covers vehicles servicing and mechanical repairs car body repairs and vehicle breakdown and recovery services. The largest of these sectors is vehicle

servicing and mechanical repairs, which is served by a range of organizations. Establishments that provide automobile repairing services are classified in to three categories.

1. Primary enterprises: repair facilities or enterprises that can provide over hauling or assembly repairing services for automobiles.
2. Secondary units: units that can provide the same services as primary enterprises, but do not necessarily have equipment to test on completion.
3. Tertiary units: the small sized units that mainly provide specialized repairing and maintained service. Automobile service industry has a direct relationship with the growth of automobile industry. The growth of automobile industry accelerates the automobile service industry also to grow. The liberalization of 1991 opened the flood gates of competition and growth in automobile industry which have continued up to today. The industry had an investment of more the rs.50, 000 crore in 2012 – 2013, which was expected to go up to rs.80, 000 crore

by the year 2014. The Indian automotive industry had already attained a turnover of RS. 1,15,000 crore. The contribution of the automobile industry to GDP had risen from 2.77% in 1992- 93 to 2012 – 2013. The automobile manufacturers have set up a manufacturing capacity of over 95 lakh vehicles per annum. Today India is the world's second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles, manufacturers' largest number of tractors in the world. The increased usage of automobile leads to the rise of automobile servicing units also. This is the case in Tambaram the study area too. A study on automobile service industry and its business dimensions is significant as it would help people to understand its role in service sector and the areas for improvement in general and the service units owners to carry out their business effectively and profitability in specific. In this sense, this study has been undertaken. The factors or the forces that influence on business and making it dynamic are referred to as "business dynamics". Generally the following are the basic forces making a business dynamic: risk, business cycle, change and opportunity and threats. The analysis on the key forces among them in the study area reveals the following facts.

#### Major Findings

- I. Only 17% of the service unit owners are technically qualified and 70% of them have no formal training of their job but only the experience.
- II. The business experience of the service unit owners ranges between 6 months to 15 years. However, most of them have the experience up to 5 years only.
- III. Majority of the service units are dealing with two wheelers and four wheelers – light category and repairing and engine servicing are the most important services offered by them.
- IV. Tough competition and lack of labour supply are the most important risk factors of the automobile service industry which are followed by lack of tools and materials and obsolesce of technology.
- V. The changes in the automobile service industry have 3 major dimensions: changes in the market condition, changes in the servicing technology and changes in the vehicle models and technology. Among them, frequent changes in the vehicle model are found to be most important one.
- VI. Half of the service unit owners feel that changes are total and intensive and nearly half of them feel that the changes are either often or very often.
- VII. Nearly half of the service unit owners readily adapt to change and implement them and next majority of them negotiate with the changes to the most possible extent. Only a few ignoring the changes.
- VIII. However, their adaptability to change is not much appreciable and their technical adaptability is good compared to financial and administrative adaptabilities.
- IX. Urbanization of the area and increasing number of vehicle usage are the major positive situations which give opportunities to automobile service business in the study area.
- X. However, the increasing competition and frequent change in the vehicle technology are the two major threats to most of the service units.

#### Suggestions

In the light of above findings the researcher gives the following suggestions to improve the automobile service industry in study area.

- The service unit owners must be made technically qualified and the servicemen should be formally trained so that they can render better services.
- Their technical skills are to be updated according to the changes in the vehicle technology and model. The manufactures of the vehicles may offer short crash course, on the new models.
- The service unit owners should be provided with adequate financial assistance so that their financial adaptability to change shall be improved.
- They should be trained on managerial and marketing skills so that they can face the main threats such as tough competition, labour turnover, etc.,

#### Conclusion

The Automobile Repairing & Servicing Workshop business is a viable business provided that it is operated with a good business acumen that involves having a thorough knowledge and experience of the repair and service operations and also managing the jobs with the right type of skilled manpower. When these factors combine with good customer relationship management and effective business development skills, the business is expected to give considerable profits which are expected to grow over the years.

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