

## **Fair Price of AMC& its Market in Delhi**

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### **Abstract**

An attempt is made in this paper to find out what are the factors which govern AMC product market. By using regression method the fair prices for different home appliances produced by different companies which people are willing to pay are determined. It has been found people aren't much satisfied with AMC services because of delayed and low quality services.

Key words: AMC, after sale service & satisfaction, fair price.

### **Introduction**

Annual maintenance contract means a contract between the owner of a certain product and a company where by the company is liable to maintain the gadget for a year and where contract is subject to yearly renewal. Annual maintenance contracts are available for various appliances like refrigerators, air conditioners, inverters, water purifiers etc. AMC is available both for homes and offices and is in equal use in both the places. Thus the maintenance companies do regular maintenance by promising varied kinds of repair work as and when required. (Wazir Aehmad 2011).

The communication between buyer and seller ends after seller pays for the product and it restarts only when the product defaults in functioning. In such cases AMC plays an important role. Quality of service is considered a prime factor in Annual Maintenance Contracts as AMCs are now an essential part of a purchase of any home appliance for a consumer. The major reason behind providing AMC is many components in home appliances degrade over time and hence in order to maintain long term relation with customers companies provide after sale services by AMC/Extended Warranty route. From consumer side too provision of AMC reduces their costs in terms of making efforts to find the reliable service provider, authenticity of spare parts, time in search, money and much more. Therefore if one takes AMC it ensures free operations for long time period while to manufacturer it provides higher resale value, quick and efficient service under AMC ensures higher returns and optimum usage.

After conducting a pilot survey in North-West Delhi the final survey is continued in

other parts of Delhi/NCR region.

The objectives of the study are:

1. To measure consumers' satisfaction from AMC services
2. To figure out whether AMC are correctly priced.
3. To measure consumer's willingness to pay for AMC
4. To figure out factors influencing AMC price

## Methodology

### Sampling Strategy

A random sample of 200 households was taken in different parts of Delhi/NCR region. Since the size of targeted population is unknown so a sampling method is being used for conducting the study. The households chosen for the survey varies in income groups and professions but idea was to target the labor force (that is excluding the views of young generation belonging to 0-14 years of age). The survey was completed by making people fill a questionnaire by answering few questions on AMCs, after sale service quality, satisfaction in quality. Online questionnaire is also made available in order to target distant samples.

Efforts are done to find answers of the key questions: Fair value of AMC & Satisfaction level of after sales service. The analysis is done by running regressions on various factors. Also multicollinearity, heteroscedasticity, autocorrelation everything is checked with the help of STATA software.

## Data Analysis and Interpretation

We designed a questionnaire after doing a pilot survey to address the above questions. The survey was conducted both online and offline (field visit). The offline response rate was 52% and online response rate was 44%, the overall response rate was 48%. The offline survey was done by having personal conversation with the respondents on physical visit and the online survey was designed on *survey monkey* website. The total responses were 200; 90 online and 110 offline.

67% were male respondents, significantly higher than the female respondents. 59% were found to be into service, 37% as self-employed and the remaining as retired. 65% of the households fall under the annual income group below 10 lakhs, 28% in the income group of 10 – 25 lakhs and 7% above 25 lakhs.

Amongst various reasons for not purchasing AMC, 47% claimed they get cheaper services by local technicians, 35% complaint for bad experiences while 10% said they aren't aware of AMCs (Fridge, ACs).

Table below shows the responses recorded about the after sale service of a product

	Service in time	Appliance functions well after service.
<b>No</b>	<b>124</b>	<b>130</b>
<b>Yes</b>	60	54
<b>N/A</b>	4	4
<b>N/R</b>	12	12
<b>Total</b>	200	200

N/A – not applicable, N/R – no response/do not remember

It is found that customers who were satisfied by the After Sale Service are 28% and 65% responded for the appliance not working in fine condition after the service on default/defect. We observed for filing a complaint with the call center and congestion in the network, 62% customers were dissatisfied whereas only 30% customers were satisfied.

We see 18% consumers responded in favor of third party AMCs. Consumers prefer purchasing AMCs but are averse due to above mentioned reasons as they are not sure whether with third party the current problems will continue to exist or not. They sometimes faced the situations of fraud in terms of if third party is not genuine, rudeness of worker coming to correct the device/appliance, improper treatment of clients/customers, customers always have more trust on Company than any third party. The maximum number of AMCs were found to be purchased for Water purifiers followed by Air Conditioners and Washing Machines. The other electronics in the list have negligible share.

The consumers were asked to rate the after sales service on the scale 1 to 5 (1 for excellent and 5 for worse). The results for Air Conditioners, Washing Machine and Water Purifiers are tabulated below.

	Air Conditioners	Washing Machine	Water Purifiers
1	2	3	1
2	10	5	7
3	45	28	40
4	55	22	60
5	52	8	81

We estimated the fair value on AMC that is according to consumers what should be fair price to be charged for getting AMC by using Ordinary Least Squares method. The independent variables are purchase price (price), years of ownership (years), income dummy (1 for below 10 lakhs and 0 for above 10 lakhs).

$$\text{Fair value of AMC} = B_1 + B_2\text{Price} + B_3\text{Years} + B_4D_1 + U$$

Where U is population error term,  $D_1$  is Income dummy variable.

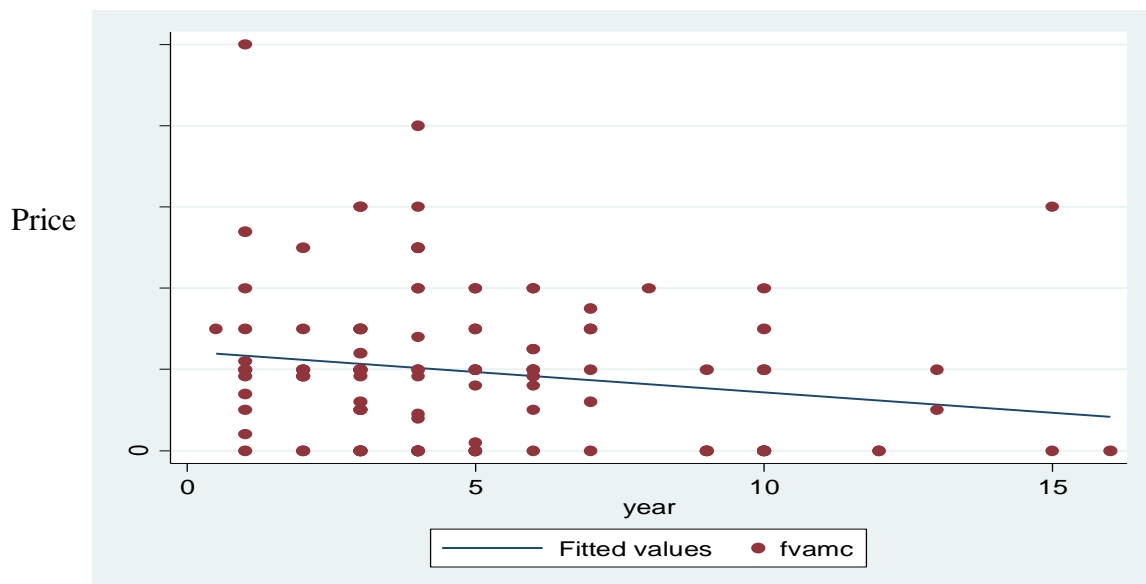
It has been found that the maximum consumers are willing to pay as fair price for AMC on any product is two third of their current AMC price.

## Conclusion

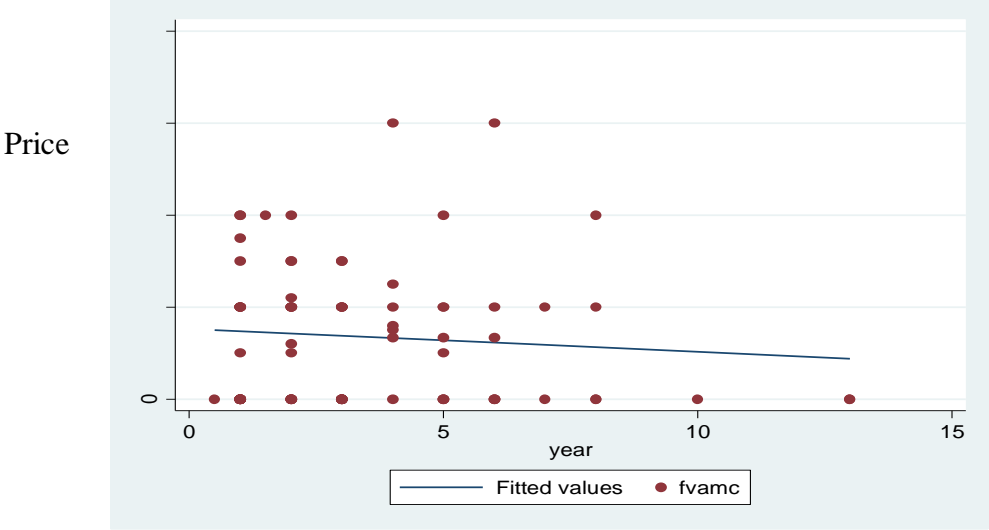
1. Provision of after sale services of AMCs can be made successful by overcoming the shortcomings like: Spreading awareness about the damage local technician can do to branded products. Companies do not take the responsibility of a product if found to be repaired by a local technician as he may break the seals to genuine parts. Offering cash back in case of no complaints during the contract period with the company. Maintaining records of feedback of customers after every service for better service in future. Imparting proper training to employees on customer interaction
2. Pricing of AMC should be based on the following factors: Original purchase price, demand of the product & years of AMC.
3. On the basis of regression analysis, we can conclude: Years of purchase is significant factor for AC, refrigerator and TV. Purchase price is significant factor for laptops/desktop, microwave, refrigerator, water purifier, washing machine and TV

## Figures:

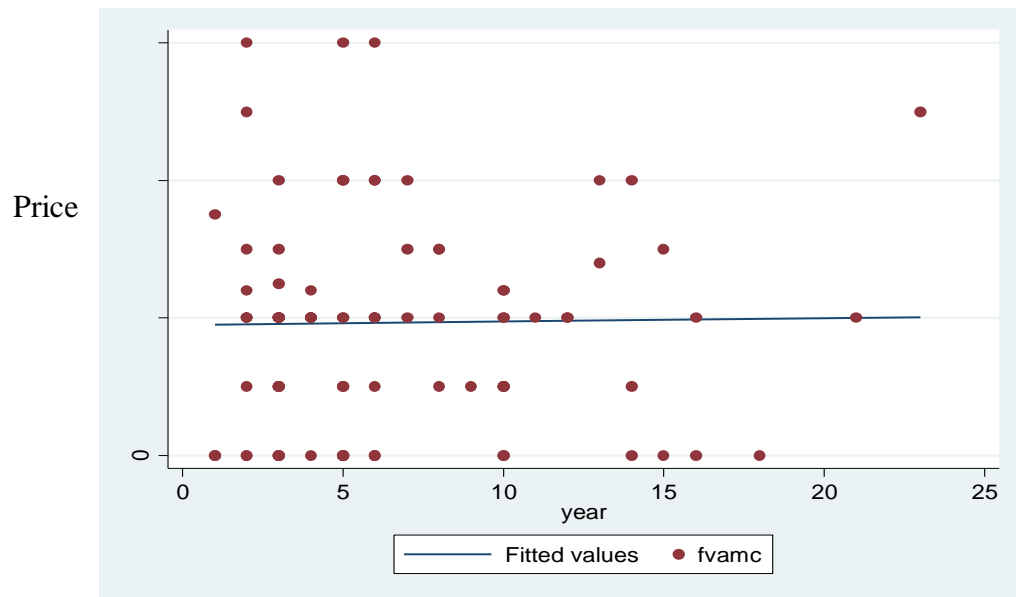
### AC



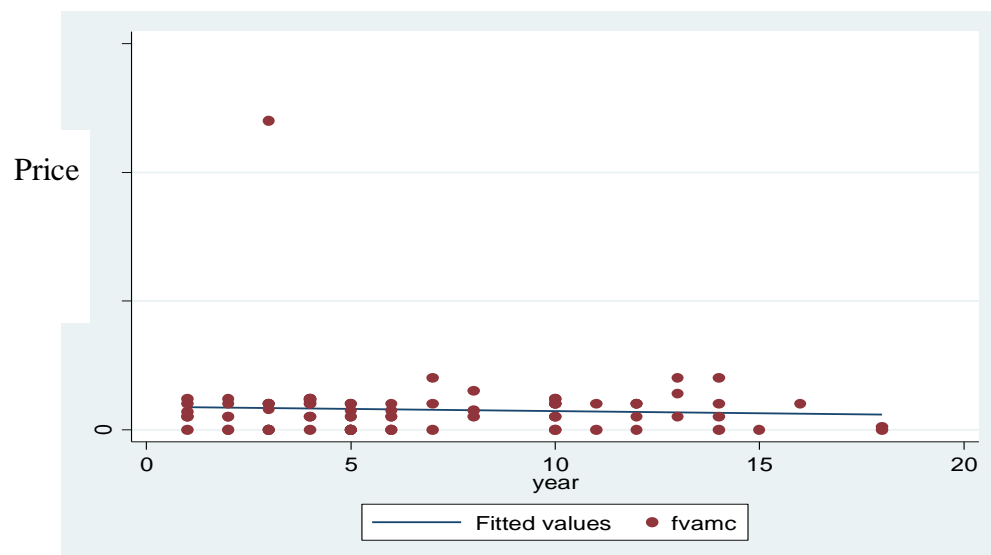
LAPTOP



TOTAL



### **WATER PURIFIER**



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