

# A STUDY ON IMPACT OF SMALL CAR INTRODUCTIONS ON THE TWO-WHEELER INDUSTRY, ANALYZING SHIFTS IN CONSUMER PREFERENCES, MARKET DYNAMICS, AND COMPETITIVE STRATEGIES

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## Abstract:

The purpose of this research is to understand consumer's various preferences for purchasing passenger car. Consumer preference for a product can make or break a company. If consumers like a product, it can stay around for years and sell millions in numbers. However, if consumers do not like the product, it could disappear very quickly from the market if the company cannot figure out how to fix the problem. Automotive industry is entering into a new phase of its development and evolution. It is witnessing a silent paradigm shift, the result of which will be visible in next ten years. It is. The low penetration level of cars in India coupled with rise in the disposable income of its working population has made it an attractive destination for global automobile manufacturers. Therefore it is of utmost importance for companies Indian in particular to know consumer preferences while they are buying passenger cars. Key Words: Automotive industry, consumer preferences, market, paradigm shift, passenger car.

## Introduction:

The Indian automobile industry is one of the fastest growing automobile industries in the world. This paper deals with the passenger car segment, in India. In 2009-10, this segment accounted for approximately 12.7% of the total cars manufactured in India and its year-on-year (YoY) growth rate was approximately 15%. The major players in this segment include Tata Motors, Maruti- Suzuki, Hyundai Motors India, Ford India, General Motors India, Honda- Siel India, Mahindra-Renault and Hindustan Motors. In addition to the existing players, various new foreign players like Volkswagen, Nissan, Fiat, etc., have already entered this segment and many more are about to enter.

Automobile Industry is considered to be one of the key sectors of any economy; it

is capable of being the driver of economic growth because of both its backward as well as forward linkages with other sectors of the economy. According to the Automotive Mission Plan (2006-16) of Government of India, it is one of the fastest growing automobile industries in the world. The sector's share in Gross Domestic Product (GDP) rose from 2.8% in fiscal year 1992-93 (April 1992-March 1993) to 5% in fiscal year 2005-06 and it has been rising every year since then. In the year 2009-10, Indian automobile industry produced more than 2 million passenger cars and more than 0.5 million commercial vehicles. According to the Eleventh Five Year Plan (2007-12), after liberalization in 1991, Indian Automotive Industry had registered a spectacular growth of 17% during five fiscal years

ranging between 2000-01 and 2005-06. Till 2002-03, it had achieved an investment of INR 50,000 cr (US\$10.99 bn) which went up to INR 80,000 cr in 2007 (US\$17.58 bn) with a turnover of INR 165,000 cr (US\$36.26 bn). Moreover, an investment worth INR 35,000 cr (US\$7.69 bn) was in the pipeline. According to the Annual Report (2007-08) of Ministry of Heavy Industries and Public Enterprises, Government of India, India is the second largest two-wheeler manufacturer in the world, fifth largest commercial vehicle manufacturer in the world, largest manufacturer of tractors in the world and fourth largest passenger car market in Asia.

This achievement of the Indian automotive industry could be attributed to the Indian government's decision to de-license the sector followed by up to 100% foreign direct investment through automatic route which enabled the industry to embark on a new journey since 1991. The above initiatives resulted in setting up of manufacturing facilities by major global players. It resulted in the massive enhancement of the production level of automobiles (which included passenger vehicles, commercial vehicles, two wheelers and three wheelers) from 2 million in 1991 to 11.17 million vehicles in 2008-09. The above measures taken by the Indian Government made India the new launch pad for global car manufacturers like Honda, Ford, Hyundai, General Motors, etc. India stands 11th in the international passenger car market. Thus, it becomes important to study this sector and the challenges faced by the car manufacturers in marketing their product in the overall changing global scenario.

## Literature Review

Consumer behaviour itself has emerged as a distinct field of study in the recent past. During the process of evolution of the field of consumer behaviour, researchers drew on various disciplines, ranging from psychology to sociology to literature. In addition to the many disciplinary orientations, perspectives on consumer behaviour are broadly differentiated by their emphasis on internal influences (drawing on theories from psychology) and on external influences (drawing on theories from sociology). Furthermore, methodological inclinations and fundamental assumptions about the unit of analysis - the consumer, differ radically between perspectives. Thus, varying perspectives present different views on aspects of consumption (as emphasized from the consumer's perspective), research orientations (as emphasized from the researcher's perspective), and focus (micro/individual or macro/social) on consumer issues. Research that studies consumer behaviour as a sub discipline of marketing with the aim to identify how consumer research can be put to use in marketing practice, regards the field of consumer behaviour as an applied social science is gaining increasing popularity.

The knowledge generated through such studies should be evaluated in terms of its ability to improve the effectiveness of marketing practice. Marketing management inevitably rests upon some conception of how consumers behave and on their reactions to product, price, place, promotion, and distribution. Strategies based on such observations are must for the attainment of corporate goals. In affluent, competitive economies successful marketing depends above all on matching the marketing mix, which results from the integration of these strategies with the

willingness of consumers to buy and on doing so more effectively than one's rivals. The consumer-oriented management which results from such matching is a response to the enormous discretion exercised by purchasers in these economies. Moreover, the choices made by consumers have consequences not merely for competing companies within a given, traditionally defined industry; but also on the high levels at which discretionary income is running. Companies are increasingly forced to compete across the conventional boundaries of markets and industries.

Following generic models of consumer decision making are important:

- 1) Need recognition
  - 2) Information search
  - 3) Evaluation of alternatives available
  - 4) Purchase decision and
  - 5) Post-purchase behavior
- A consumer researcher does the study of 'consumer buying processes' based on the above perspectives. In particular, the process of consumer buying is of more importance to marketing practitioners than the consumption process. From a practitioner's perspective, consumer research is important to enable him to understand changing consumer needs, wants, and motivations and thereby devise the most appropriate mix for his market. To the marketer the dynamic nature of consumer behaviour implies rapid product development, changing communications, and distribution strategies. It is this (marketing) concept, as articulated by several marketing scholars (Alderson 1965; Bagozzi 1975; Kotler 1972; Kotler and Levy 1969) that captures many of the more essential characteristics of

modern marketing which has tended to dominate thinking in this field. All these tactical studies help the manufacturer to understand his target market.

### Scope

Automotive industry is witnessing a silent paradigm shift. It is entering into a new phase of its development and evolution. According to Dr. Manmohan Singh, our Prime Minister, the automobile sector is the 'sunrise sector' of the country's economy which like a beautiful butterfly had come out of its protective cocoon and is now showcasing its wares across diverse continents.

For decades, acquisition of an automobile was nothing less than achievement of a dream. Almost 40 years ago, if an Indian managed to buy a Fiat or an Ambassador car by the time of his retirement, it used to be a standing symbol of success of his entire career! Things have totally changed now. First car arrives by the time the student leaves his college and within a couple of years; he proudly displays his possession, only to change it for the next model in the market. Managing with the same old car for years is considered passé now and many are known to change cars, as frequently as they change their shirts, to seek attention and even appreciation.

When market is growing so fast, more products are needed to reach more people. Indian auto industry is truly responding to the demand. The low-priced small car (like Nano) putting the two wheeler sales to some anxiety is a reality today.

However, crude oil prices have the potential to throttle the industry, if alternatives are not quickly found. Study of all variables related to this sector on a continuous basis is necessary for

uninterrupted journey of this crucial engine of economic growth.

Electronics constitutes more than 30% of the car’s cost. With changing lifestyle, evolving need, auto electronics has been changing in form and factor over the past few years. Consumers want varied features in the cars they drive or they wish to drive. It is important to understand needs, wants and preferences of automotive technologies from consumers. This study also studies choices for electronic components in passenger cars.

**Research Methodology**

**Objectives:**

1. To take an over view of automobile industry, cars in particular.
2. To know why customer need a car.
3. To know the major parameters for selecting a car.
4. To know the customer perception about electronic components used in car.

Research Design: Descriptive studying why, where, when, how of the preferences for the product.

Sampling Technique: A survey was conducted in Pune city and the technique of Non Probability Convenience sampling was used to choose the samples in order to collect required information from them.

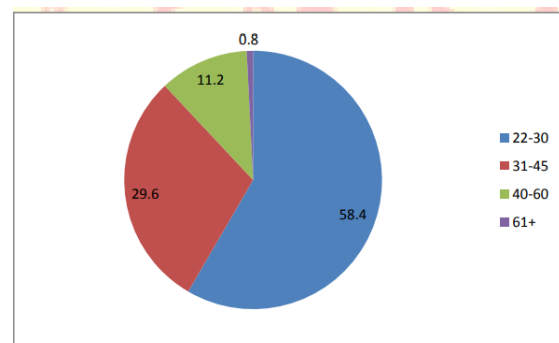
Sample size: 250 Data Collection Tool: Structured Questionnaire Data collection technique: Both primary and secondary data is collected for this study. For collecting primary data, questionnaire was administered on owners of passenger cars in order to understand their views and experiences regarding various aspects of the vehicle, which in turn would help to understand their perception about choosing

a car. Primary data was also collected through observations and discussions.

Secondary data was gathered from sources such as relevant web sites; magazines dedicated to auto & car industry; opinions and statements given by government officials involved in policy making of auto industry; Automotive Mission Plan Document of Government of India; research papers on car industry, automobile industry and so on.

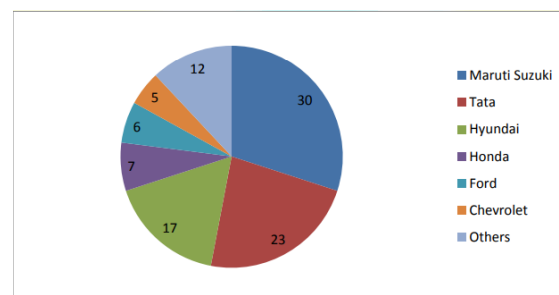
**Data Analysis**

Graph-1: Age Group of the respondents:



Most of the respondents of the survey were young in the age group 22-30 years. Rising level of income at the young age, availability of easy credit facility, relaxations in regulations by the Indian government in terms of import tariffs and equity regulations could be attributed as major reasons for possessing cars by the youth

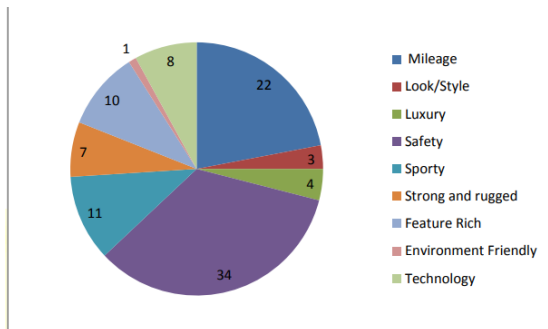
Graph-2: Make/Manufacturer of the car



Most of the respondents have purchased cars manufactured by Maruti-Suzuki,

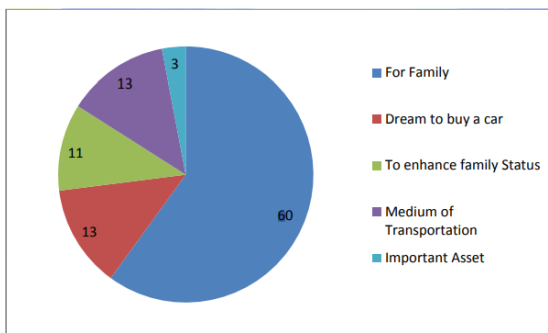
closely followed by those of Tata and Hyundai. These are the three companies which are trusted more than other companies in the market.

Graph-3: Preferences for various parameters while purchasing a car



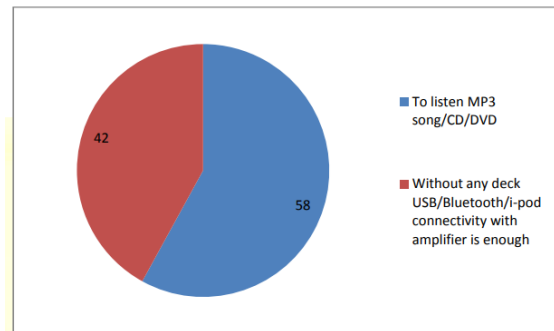
Respondents have given highest weight age to safety parameters in purchase decision. Mileage is next important factor followed by other factors which are shown in the diagram.

Graph-4: Reasons for buying a car



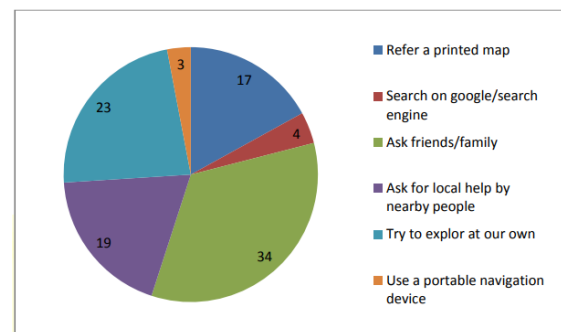
Cars are purchased more often for family, although they also fulfill other needs such as medium of transport, status symbol and a dream come true.

Graph-5: Preferences for Music System



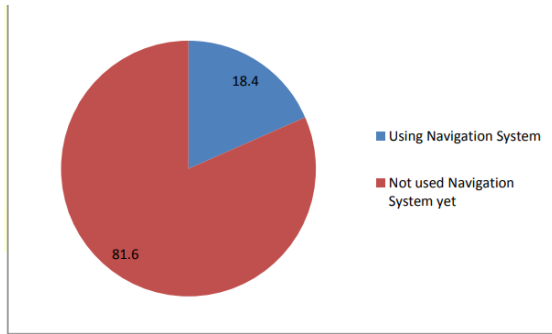
Respondents want such music system in their cars which can play CD/DVD. Some have also preferred USB/Bluetooth/i-pod connectivity in their cars. Listening music while driving is not only required for entertainment but has also become a style and fashion statement. It reduces stress while driving. This is particularly experienced at peak hours when the traffic is maddening and people have to wait at traffic signals for a longer period. Some people who have cars driven by drivers also want small TV sets in the car.

Graph-6: Various measures adopted to reach unknown places

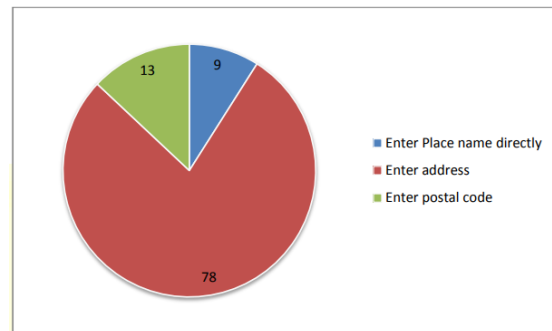


Respondents are not very friendly with the navigation device in the car. They prefer other methods more than this to reach unknown places. Navigation devises are yet not very popular.

Graph-7: No. of respondents using Navigation system



Graph-10: Mode to enter destination information

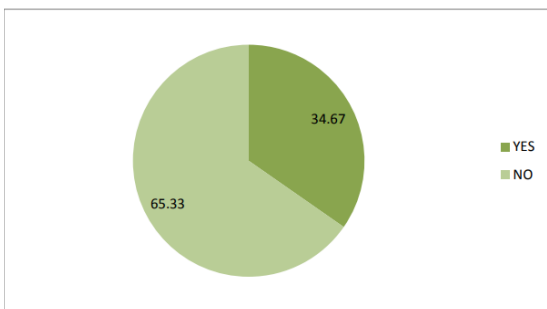


Very few have used navigation system in cars so far. Apart from younger generation, middle aged people and senior citizens are not very comfortable with the usage of technology. They find it quite complicated and are usually reluctant to learn.

Most of the respondents opined that entering address is much easier to get desired information about how and where to reach.

Graph-8: Respondents willing to have Navigation / DVD display in rear seat

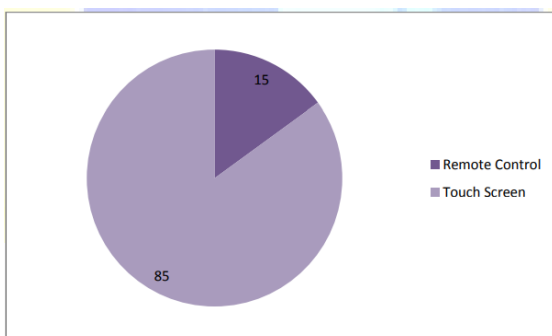
**Conclusion**



Until a decade ago, the auto sector in India had been a relatively protected industry limiting the entry of foreign companies with high tariffs against imports. Today, as part of a broader move to liberalize its economy, India has opened up the sector to Foreign Direct Investment, and since then has also progressively relaxed trade barriers. Growth in the Indian middle-class and easy availability of credit coupled with new launches and attractive pricing by the players will ensure its availability and hence will facilitate the growth of this segment. Today, almost all the major global companies are present in Indian passenger cars segment. Foreign multinationals are entering in the Indian market with their quality and higher priced luxury cars. German luxury car maker Porche is also interested to enter Indian car market. Precision cars, an official importer of Porche cars in India has sold 322 cars in Ahmedabad city only. They have gained 30% share in Indian premium Luxury car segment by now. Market Share of Maruti Suzuki, (ex market leader) is reducing year by year. It has reduced to 45% in 2011

Some of the respondents wanted to have navigation system and DVD display even at the rear seat as convenience for all the passengers boarding the car.

Graph-9: Preferred Panel



Most of the respondents who were owners of the high end cars wanted to have touch screen panel for its operation. This is much easier than using several buttons.

from 50% in 2002. Market share of Ford Motors has shown significant growth in past few years.

Consumer behaviour in car buying is undergoing a sea change. Purchase of luxury cars remains a symbol of power, recognition, independence and status. Thus, Key drivers for the growth of Indian auto industry are: Availability of Finance, improved infrastructure, rising family income, favourable duty structure, poor public transport system, low car penetration, exchange of cars, and changing lifestyle.

### Suggestions

Companies should try and look for the Niche markets and gain the First Movers advantage. Maruti-Suzuki has learnt labour related issues hard way. Other companies too should take appropriate measures and ensure HR development. Foreign players are way ahead in terms of technology (both product and process). Therefore, Indian companies should build collaborations with technology leaders. Indian companies should do massive consolidation of plants and scaling up of the existing facilities. Every car manufactured adds 5 new jobs- a significant engine of economic growth. This engine would move when infrastructure will be supportive. Size in the market is no longer a guarantee of success. Only those companies which find new ways to create value will prosper in the future.

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