



# Car Buying Behaviour in India

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## Abstract

With the exponential increase in the number of cars bought, this paper attempts to explore and understand the patterns of consumer behaviour towards buying a car. The sample for this study consisted of 1015 adults (469 females and 546 males) from differing backgrounds and occupations. The questionnaire administered for the study was developed by the researchers and the data was collected online using Google forms. Percentage analysis and Mean comparison were carried out to interpret the data. Obtained results showed that buying a car was considered to be a necessity and family use was the primary motive to buy a car. Familiar brands, availability of parking space, advertisements and getting better offers were seen to be some factors influencing consumers. The comfort of a car was seen to be essential and features such as good mileage, dual airbags anti-lock braking system along with music system with USB/Radio/Bluetooth/AUX were considered to be important. Overall, Maruti Suzuki, Hyundai and Honda were the most liked and recommended car brands due to their affordable price range, features and comfort.

**Key Words-** *Consumer Behaviour, Car Buying, Preference*

## 1. Introduction

The automobile industry of India is one of the largest in the world and is growing every year. With the easy availability of car loans, rise in salary, more disposable income and quick access to information, the task of purchasing a car has now become more streamlined and convenient. There have also been changes in ideologies towards cars. A few decades ago, owning a car was considered to be a luxury but in the present day and age, it is almost a necessity. In fact, families now owning two vehicles is a common sight. Buying a car is considered to be a high involvement purchase because unlike other products it is an expensive and an infrequent purchase that requires an extensive amount of research. For such complex purchases, it is important for car dealers and marketers to understand consumer behaviour towards buying a car such as – the features & accessories they are looking for, their main purpose for making a purchase, their priorities, preferences and so on. Thus, it is essential for us to study and understand what influences car buying decisions.

## 2. Literature Review

Many researches use the 5-stage model described by (Kotler & Keller, 2012) to understand consumer behaviour and the process involved while buying a particular commodity. As per this model, the 5 stages that are involved in the consumer decision process are namely- problem recognition, information search, evaluation of alternatives, product choice and post purchase. Applying this to the process of buying a car, we can establish the following: -Stage 1- Problem Recognition -here a consumer realizes the need to buy a car. Stage 2- Information Search -he uses different sources to find information about the cars available in the market. Stage 3- Evaluation of Alternatives-he compares several car models in terms of their price, features, deals etc. Stage 4- Product Choice – he chooses one particular car over another based on his own appraisal and reasoning. Stage 5- Post Purchase- consumer takes ownership and evaluates if the purchase has met his expectations or not.

According to (Shen,1997) population growth and increasing living standards of people can be seen as the major causes for the rise in number of cars in the cities. Based on the work of (Monga et. al 2012) it was seen that increase in disposable income was a contributing factor for purchasing a car. Their study also showed that growing family needs and an increase in the family size were some additional motives for buying a car. In another study that was conducted in the state of Karnataka (Joseph & Kamble, 2011) found that the availability of auto finance or consumer credit is an important aspect that influences the purchase of passenger cars. Similarly, researchers (Sheik & Ali,2013) in Tirunelveli, Tamil Nadu analysed consumer preferences towards passenger cars. It was found that certain factors like price, technology and comfort were taken into account by buyers before selecting a brand.

A 2013 study was targeted towards the luxury car segment of India, which is currently on the rise as more luxury cars are entering into the Indian markets. It was found that such types of cars were mostly preferred by High-Net-Worth Individuals who wished to differentiate themselves from others. The study also found that factors relating to demographics, socio-culture and customer requirements impacted the choices for those types of cars (Verma & Rathore, 2013) .

Various studies across India have reported that television advertising is one of the biggest influencers of car purchasing behaviour along with magazines, word of mouth and ratings. In the study conducted by (Srivastava & Matta 2014) in Delhi NCR, results illustrated that many respondents relied upon their friends and advertisements in case of determining a pre-purchase. Their study also showed that the decisions of the consumers were influenced by factors like culture, family and lifestyle. Another empirical study based in Hyderabad

(Ravinder & Srikrishna, 2017), found that purchasing of a car is greatly influenced by car advertisements followed by the recommendations of family and friends. It was also observed that in case of the small car segment of India, Alto 800 was the most preferred car followed by Santro, Tata Indica and Spark.

Researchers (Stella and Rajeshwari ,2012) focused on the relationship between customer satisfaction, brand image and information from mass media. Their study showed that many consumers rely upon inputs from their relatives/friends/spouses etc for decision making. Through the work of (Sharma, 2010) it was seen that when a buyer thinks of buying a new car, it takes on an average 9.8 days to research about the product and those who have used the car will take about 7.7 days. Researchers (Kaur, Sandhu,2004) found that some of the factors considered by consumers while buying a car were safety & comfort, luxury, reliability, ease of finance, variety, colour, fuel efficiency, spaciousness and brand image. Another study found that majority of the respondents preferred sedans (61%) followed by SUVs and Hatchbacks. MUV was seen to be the least favoured car type that was preferred by only (6.4%) of the respondents (Mathur et. al, 2018).

In view of the literature review and earlier studies cited, this study was conducted in order to understand the motives and patterns of consumer behaviour towards purchasing a car in the Indian context.

### 3. Methodology

#### 3.1 Sample

The sample size for the study consisted of 1015 adults, comprising of 469 females and 546 males from varying socio-economic backgrounds and occupations. The ages of the participants ranged from 18 years to 65 years, with the mean age being 37 years ( $SD=9.56$ ). The participants also had differing car budgets that ranged from up to 5 lakhs to above 15 lakhs. Table. 1 depicts the distribution of car budgets of the participants.

**Table 1.** Car Budgets of Participants

Car Budget (in Rupees):	Count
Above 15 Lakhs	214
Between 10 to 15 Lakhs	241
Between 5 to 10 Lakhs	345
Up to 5 Lakhs	215

#### 3.2 Data Collection & Tools

The questionnaire was developed by the researchers and the data for the study was collected online via Google Forms, the link for which was shared through WhatsApp/E-mail. All the participants were informed the main purpose for the present study and the informed consent was obtained. Precautions were taken to respect the confidentiality of the participants and it was ensured that the data collected is valid and would not be misused. The questionnaire administered consisted of a total of 32 items which included a combination of dichotomous questions, multiple choice questions, rating scale questions, Likert scale questions and open- ended questions. The responses for the five-point Likert Scale ranged from (1= Strongly Disagree to 5= Strongly Agree). Percentage analysis, mean comparison and standard deviation was used for analysing the responses submitted.

### 4. Results & Discussion

This section showcases the major findings of the statistical analysis that was carried out on the data collected.

Findings showed that the most preferred mode of payment for buying a car was through cash or cheques (38%) and Equated Monthly Instalments (34%) followed by car loans offered by the banks/car dealers (28%).

Out of all the respondents of the study, 36% respondents did not own a car. Amongst those who already owned a car, more than half of the respondents were planning to buy a new car as an upgrade from their existing car. Furthermore, obtained results showed that parking space was an important aspect as 79% respondents claimed that they take availability of parking space into consideration before purchasing a car.

When the participants were asked if they would consider buying a second-hand car, majority (70%) of them had declined and only 30% had agreed. The figures also revealed that 37% of the respondents claimed that they relied on others suggestions more than their own when it came to making a purchase.

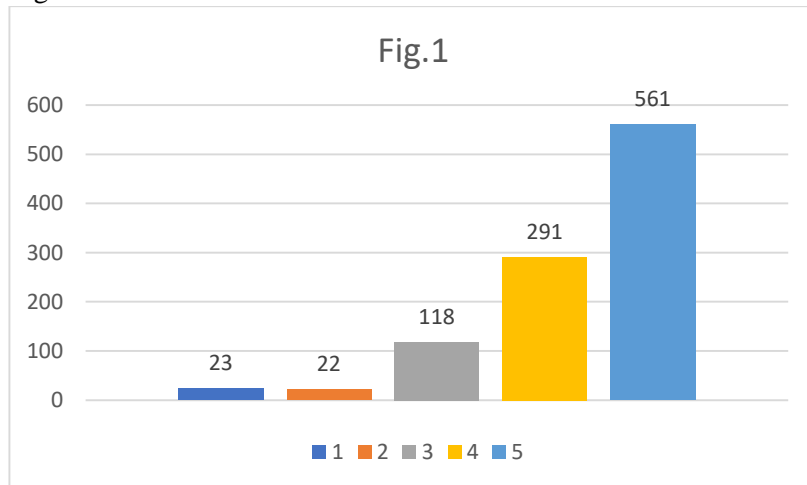
The results showed that family use was seen as a primary motive for buying a car by 73% respondents.

Obtained results indicated that advertisements play an important role as 62% of the participants stated that car advertisements were successful in affecting their thoughts and opinions of a particular car brand. Furthermore, it was also seen that over 76% of the respondents claimed to prefer brands that they knew and were familiar with, as compared to the newer brands available in the market.

The findings for the present study also revealed that 69% of the respondents were willingly to exceed their car budget if they were offered better features/offers on the car.

Results indicated that a large proportion of the respondents claimed to do intensive research before purchasing a product ( $M= 4.53, SD=0.9$ ). When presented with the item- “ I do intensive research before buying a product”, 55% of the respondents had strongly agreed, 29% had agreed, 12% remained neutral, 2% had disagreed and another 2% had strongly disagreed with the item (Fig.1).

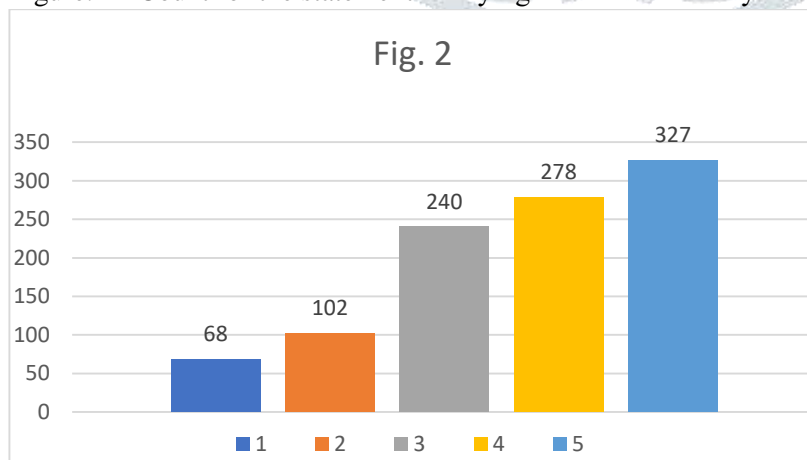
Figure 1. Count for the statement- “I do intensive research before buying a product.”



Note. 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

A significant number of respondents felt that buying a car is a necessity ( $M= 3.68, SD =1.2$ ). When presented with the item “buying a car is a necessity”, 32% had strongly agreed, 27% had agreed and 24% remained neutral. On the other hand, only 10% disagreed and 7% strongly disagreed (Fig.2).

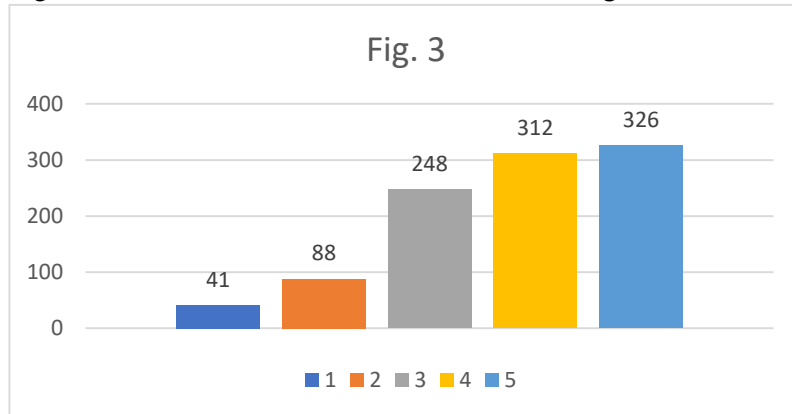
Figure.2 – Count for the statement- “Buying a car is a necessity”



The data revealed that a number of people claimed to know exactly what they wanted before they even entered the store ( $M=3.7, SD= 1.1$ ). When presented with the item- “Before entering the store, I know exactly what I want.”, 32% had strongly agreed, 31% agreed and 24% remained neutral. Whereas, 9% and 4% had disagreed and strongly disagreed respectively (Fig.3).

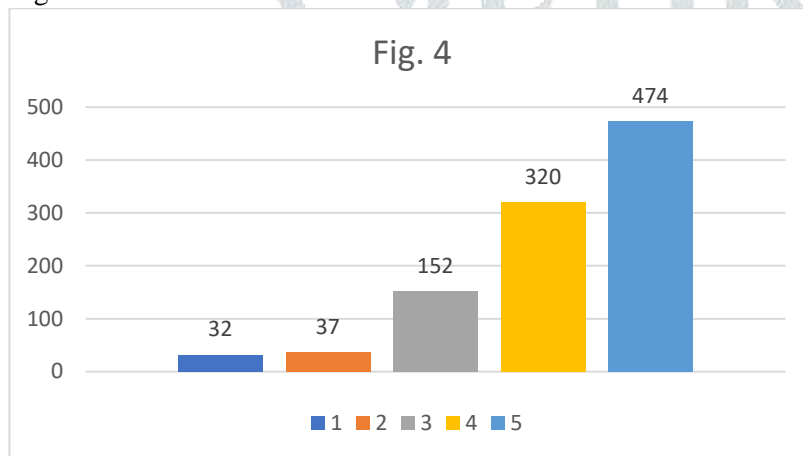


Figure.3 – Count for the statement “Before entering the store, I know exactly what I want.”



Obtained results showed that a large number of respondents preferred comfort over looks of a car ( $M=4.1$ ,  $SD= 1.0$ ). When presented with the item “The comfort of a car is more important than its looks.”, 47% had strongly agreed, 31% had agreed and 15% remained neutral. On the other hand, only 4% disagreed and 3% strongly disagreed (Fig.4).

Figure. 4- Count for the statement “The comfort of a car is more important than its looks.”



A large proportion of participants were found to be neutral (neither agreed nor disagreed) when presented with the items such as – “The more expensive a car is, the more reliable is the car.”, “A car is a symbol of prestige.” and “Car dealers are likely to influence my purchasing decisions.”

Participants were asked about the additional features they consider are important to have in a car. The data revealed that good mileage, dual airbags anti-lock braking system along with music system with USB/Radio/Bluetooth/AUX were seen to be some of the most important features. This was followed by high adjustable seatbelts and luxurious interior. On the other hand, features like heated seats, CNG system and sunroof were considered to be the least important.

Table.2 Car brands liked and recommended by the respondents

*“Maruti Suzuki, old trusted brand, economical. Good mileage. Good post sale service. With less maintenance. It's Indian brand, very dependable and the spare parts are available everywhere.”*

*“Hyundai because they're a reliable South-Korean brand manufacturing affordable cars with great features and they provide a very long warranty compared to other brands.”*

*“Maruti Suzuki, very long-lasting cars, excellent servicing services, affordable price range, consistency in their brand.”*

*“Hyundai. The features, mileage and interior provided by Hyundai is really good. Also, good range of cars at affordable price”*

*“Toyota and Honda are two amazing brands because they are not only comfortable but also affordable.”*

*“Volkswagen. Well-engineered, innovation in design, balanced and sturdy, reliable, clean lines on the surface, adequate features, high on quality.”*

*“BMW- Luxurious as well as good performance”*

*“Toyota cars have good interior and give good mileage. Its seatbelts are very comfortable and adjustable.”*

*“Audi. At the price points that Audi operates in they have some of the best quality interior available.”*

*“Mercedes, because of its new and upgrading features and comfort.”*

*“Toyota. It is really good for hilly terrains and low maintenance”.*

*“Hyundai is the brand that I like the most. Because its services are good. The car parts are easily available. The body is strong. And the looks are also good. Plus, the cars are affordable.”*

*“Maruti Suzuki. Because it is affordable my most of the people and has good and all the basic features in an affordable budget.”*

*“Honda. Their sedans are on par with some of the entry level luxury cars and prices are well managed, thanks to economies of scale.”*

In the last segment of the questionnaire respondents were asked to name a car brand that they really liked and would highly recommend along with the reasons for the same. It was seen that the top car brands preferred by majority of the respondents were Maruti Suzuki, Hyundai and Honda mainly due to their affordable price range, features and comfort. (Table.3) depicts some of the responses given by the participants when asked to name a car brand that they would recommend to their family and friends.

## 5. Discussion

The present study was carried out with the intention of getting a better understanding of the motives, preferences and aspects that affect a person's decision to purchase a car.

As the number of automobiles grow so does the demand for adequate parking space in both residential and public areas. It has been found that in the National Capital Territory (NCT) of Delhi, the population growth rate is 1% and the rate of motor vehicles increasing is at 7% (Delhi, Statistical Handbook, 2018). With the growing demand for parking spaces, it is observed that there have been a shortage of parking lots and an increase in the rates for the same. According to a study by (Roychowdhury et. al, 2018) increasing parking rates could possibly discourage people from buying more cars. As illustrated from our findings, parking space proved to be an important aspect that was taken into account before purchasing a car by majority of the participants.

Placing the findings of this study in the advertising literature, the present study contributes to the major role advertisements play in affecting thoughts towards a particular brand.

According to a study in the Journal of Consumer Research, it was seen that consumers were more likely to buy a product if they had previously focused their attention on it and were less likely to buy a product which they had previously ignored (Janiszewski et. al, 2013.) hence pointing to the aspect of familiarity. Similarly, as stated by authors (Genco et.al, 2013) in one of their books that, familiarity is one of the most powerful drivers of consumer behaviour and is an important factor for market research due to it being a major source of brand and product preference. Another study found that 68.3% (171 respondents) claimed that they did not even consider lesser known or new entrant brands while making a purchase. It was also seen that while 47 respondents said that they consider a new entrant during their purchasing decision, they did not end up buying it (Chandra, 2014). Similarly, our findings illustrated that a very large proportion of respondents preferred familiar brands over novel brands.

Indian society is collectivist in nature and promotes social cohesion. Family is the most important institution and consumption choices regarding expensive and infrequent purchases such as that of a car, are not oriented based on individual needs or characteristics. As seen in the present study, family use was seen as the primary motive for buying a car by majority. In line with this, a survey carried out by (CARS24,2020) found that 42% respondents felt the need to buy a car for family use. It was also noted that family requirements and the risk of COVID -19 infection have now emerged as some reasons for buying a car.

**Implications-** The present study can help researchers; car dealers and manufacturers learn from prospective car buyers to help sell cars that are in accordance with what consumers prefer and need. Car manufacturers can consider keeping family use and comfort in mind while designing cars. This could mean including features such as high safety features, sufficient legroom, plenty of storage, proper air conditioning, soft seats, back & neck support, comfortable suspensions etc. to enhance consumer experience and prevent discomfort during long road trips.

Buying a car is generally the second most expensive purchase people make, after a house. While doing so, our study showed that consumers tend do intensive research before making a purchase to ensure that they make the best decision. Dealers and brands can step in here and provide tools and resources to compare unbiased reviews, research ratings, performance tests, features offered and price range.

As seen in the study, majority of the participants were willing to exceed their budgets if they were given better offers or features. This highlights the importance for car dealers to know what exactly the buyers want and then design attractive offers and packages that are personalised and tailored to their requirements or budgets.

It can also help marketers and advertising agents of brands to create impactful and effective advertisements in order to reach a wide pool of people and familiarize them with the commodities available in the market.

### Limitations of the study-

While the present study provides useful consumer insights and perspectives, it is necessary to consider some of the limitations of the study.

Consumer preferences and behaviour for buying a car may not have been fully explained with the dimensions that were used for the study. Also, since the questionnaire was administered online and self-report measures were used for the collection of data, one must take into account the possible issues pertaining to response bias and sampling bias. In the study there was an absence of higher order statistics and the differences in attitudes and preferences across gender and different age groups was not analysed further.

### Suggestions for future research-

- 1) Future studies can take into account the various other aspects of consumer preferences like specific car features/accessories, exterior design preference, car size/models, reviews etc. that would help contribute to future potential research.
- 2) In depth interviews with individuals pre and post purchase would also help get important insights useful for product development and advertising initiatives.
- 3) Future studies can also focus on the differences of priorities or features preferred across gender/generation/cultures.
- 4) It could also be useful to study the factors that lead to customer attachment / satisfaction as well as the impact of culture on consumer behaviour.

## 6. Conclusion

A car is now considered as a necessity and the number of cars bought is expected to increase over the next few years. With the growing number of brands and companies entering into the markets, it's necessary to recognize the needs and preferences of consumers so that products and services are tailored to their needs and requirements. This can allow consumers to make an easy and smooth purchase while companies and brands make optimum use of their resources. It can be said that buying behaviour of cars is influenced by a number of factors like parking space, family use, familiar brands, advertisements better offers and comfort to name a few. Car dealers and manufacturers should keep these factors in mind while manufacturing or marketing cars for better outcomes.

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