

Automobile Industry in India at the Crossroads – Changing trends in Consumer Behavior



ISBN: 978-1-943295-14-2

Rachna Sharma
Prakash Pandit
R. Krishnan
ICFAI Business School

1. Introduction

Unprecedented slowdown in the automobile sector caused market leader, Maruti Suzuki India (MSI) to reduce production for 8 consecutive months of the current financial year. In the previous month, MSI had reduced its production by almost 34%. All major car manufacturers, such as Hyundai, Mahindra & Mahindra, Tata Motors, Toyota and Honda, have also seen a double digit decline in the domestic passenger category sales in India¹. Daimler India, which started local operations in 2013, and had broken even only in 2018, is banking on significant reduction in fixed and variable costs to ride out the storm². It had been estimated that by 2019, India was poised to become the third largest automotive market in the world, and by 2025, 6.7 million passenger cars are expected to be sold in the Indian market. In the fiscal year, 2016 – 17, approximately 3.7 million motor vehicles were sold in India, of which nearly 3 million were passenger cars.

The Indian domestic car market had seen an 8.5% increase in 2017 over 2016, with a sale of 32, 29,109 units in the calendar year 2017. Despite the aftermath of demonetization and GST, the passenger vehicles sales grew at a Compound Annual Growth Rate (CAGR) rate of 3 percent in 2017 as compared to 2016.

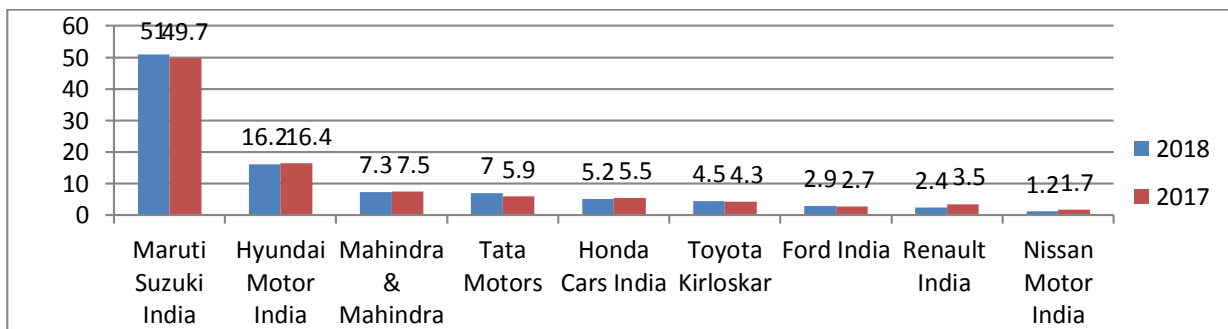


Figure 1 Market Share of Major Car Brands

Source: <https://www.statista.com/Statistics/316850/Indian-Passenger-Car-Market-Share/>

However, the euphoria began to decline as 2018 progressed, with Passenger vehicle sales recording single digit growth of 5.32 per cent at 33, 93,705 units in the fiscal year 2017 – 2018. It is estimated that the cause for this decline was uneven monsoons, devastating floods in Kerala and Maharashtra, which is the number one market for passenger vehicles, followed by Maharashtra, increasing costs of fuel and insurance, poor festive demand and liquidity crunch.

In the face of stiff competition, attracting and retaining consumers who are brand loyal is the biggest challenge facing the automobile sector. Additionally, the car buying decision may be one that consumers go through multiple times in their lifetime. The critical question then is whether consumers will make a repeat purchase of the same brand. With this scenario, it is imperative for brands to understand consumer behavior, vis-à-vis car preferences. How do consumers take decisions about which car to purchase?

Though our perceptions about cars are mostly created by the way the car is advertised and marketed; however the question remains whether people buy cars because they want to consciously or unconsciously project an image or because of clear and simple factors like price, performance, safety etc?

Marketers and car manufacturers have been interested in identifying the factors that impact a consumers buying decision. There have been studies about how buying decisions are made and various models of car type choice have been developed. Almost 50% of the buyers chose a brand for looks and popularity (Gayathri, 2014) and consumers who read advertisements were found to be lower in general self-confidence, which is linked to self-esteem and may be considered as a personality variable (Gronhaug, 1975). In her research, Toth also concluded that conspicuous consumption is positively related with ideal self image (Toth, 2014).

¹<https://economictimes.indiatimes.com/industry/auto/auto-news/maruti-cuts-production-for-8th-straight-month-in-september/articleshow/71488836.cms?from=mdr>

²<https://economictimes.indiatimes.com/industry/auto/auto-news/daimler-india-hopes-cost-cuts-exports-will-keep-it-in-black/articleshow/71485734.cms>

The purpose of this paper is to identify the impact of consumer personality on brand preferences, with specific reference to car buying behavior.

2. Literature Review

A car is more than just a means of transport. A car is a representation of an individuals' personality and aspirations. It is usual to connect a particular type of car with a particular type of person. The car, as an object of desire, reflects a deep personal meaning and attachment, and conveys and extends an individual's self-concept, either as a sign of connection to or differentiation from, other people (Matzler, Pichler & Hemetsberger, 2007). Consumers may regard a brand as an extension of oneself and develop a social identity by "identifying and associating themselves with brands that reflect and reinforce their self-identities" (Kuenzel and Halliday, 2010).

But our perceptions about cars are mostly created by the way the car is advertised and marketed. Prieto & Caemmerer found a significant relationship between economic factors, such as income levels, individual characteristics such as age, gender and educational levels, and factors influencing car purchasing decisions, such as car segment and new or used car (Prieto & Caemmerer, 2013). But the question remains whether people buy cars because they want to consciously or unconsciously project an image or because of clear and simple factors like price, performance, safety etc? Research indicates that while product attributes are sufficient predictors of brand preference, they do not provide an understanding of personal needs underlying an individuals' predisposition to respond to specific brands (Stanton & Lowenhar, 1974). For example, Fujiwara & Nagasawa, in their study on preference for luxury brands in Japan, found that differentiation from others and avoiding cognitive dissonance were important psychological factors that influence luxury brand preferences in cars, whereas conformity to group norms and quality evaluation were not important factors in developing purchase intentions for luxury car brands in which consumers continue to feel a sense of rarity (Fujiwara & Nagasawa, 2015).

Brooker (1976), in his research of Maslow's construct of self-actualisation, as a personality trait, found high degree of association between relative self-actualization level and socially conscious consumer behavior (Brooker, 1976).

Theoretical Framework

Personality is defined as "those inner psychological characteristics that both determine and reflect how a person responds to his or her environment" (Schiffman, Kanuk & Kumar, 2010). These inner characteristics influence a consumers; product choices and how they respond to a marketers' marketing efforts. Extraverts, for example, being more talkative, are more likely to engage in word-of-mouth communication, thus being important evangelists for a brand (Matzler, Pichler & Hemetsberger, 2007).

The concept of brand personality suggests that consumers tend to attribute human characteristics to brands, giving them a personality which expresses their actual self, ideal self or aspects of self (Swaminathan, Stilley & Ahluwalia, 2009). Brands congruent, or 'fit' with the consumers' self-concept, play a central role in the consumers' life. Hence, it is imperative for marketers to have insights of individual and brand personality traits, which matter to consumers.

3. Methodology

The current research aimed to examine the relationship between personality, and consumer buying behavior patterns within the automobile industry. The research also aimed to understand the current and future trends of automobile buying behavior. Data was collected from 218 respondents. The instrument used for personality assessment was the *Mini-International Personality Item Pool Mini-IPIP* (Donnellan et al., 2006) that measures the *Big Five* (Costa & McCrae, 1992) personality traits, which included Extraversion, Conscientiousness, Agreeableness, Neuroticism and Openness to experiences. Information on the demographic characteristics of respondents was also obtained (age, gender).

Aakers Brand Personality inventory was administered to identify brand perception of the various brands. Aakers Brand personality measures brand perception on Competence, Sincerity, Excitement, Sophistication and Ruggedness.

The sample size was 218. Since the purpose of the research was to identify consumer behavior trends in the current economic scenario and future scope, the sample consisted of convenience sampling of management students, between the ages 25 – 30. These are students who will graduate in 2022, and most likely make their first car purchase in the next 1 to 2 years.

The sample description and analyses of data is illustrated in the following graphs.

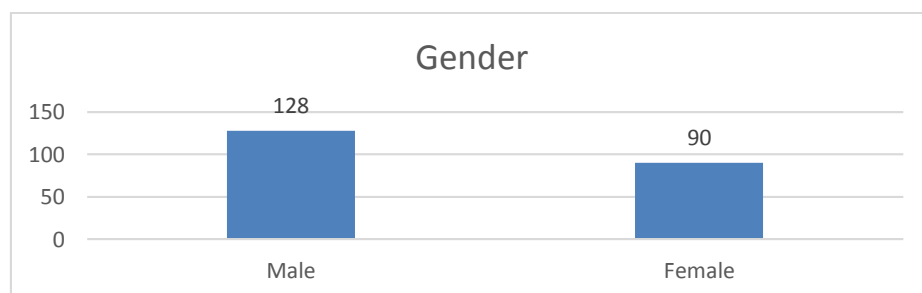


Figure 2 Gender wise Breakup of the Sample

The percentage of males and females was 59% and 41% respectively. Age wise breakup of the sample is illustrated in Figure 3

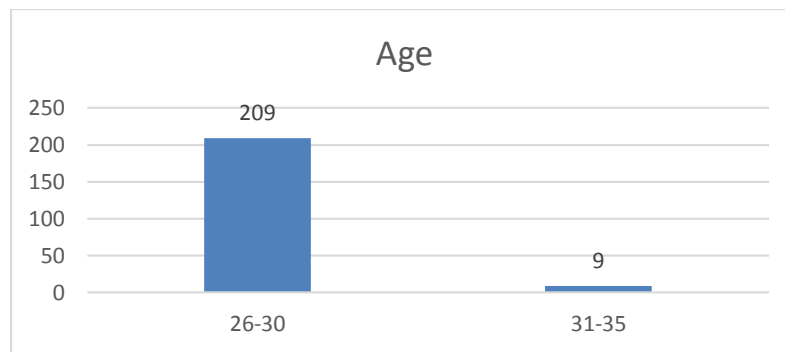


Figure 3 Age wise Breakup of the Sample

96% of the sample consisted of respondents between the ages 26 – 30. 4% of the respondents were between 31 – 35 years. Maruti has been the market leader in India since its launch in 1983. The sample data reflects this trend.

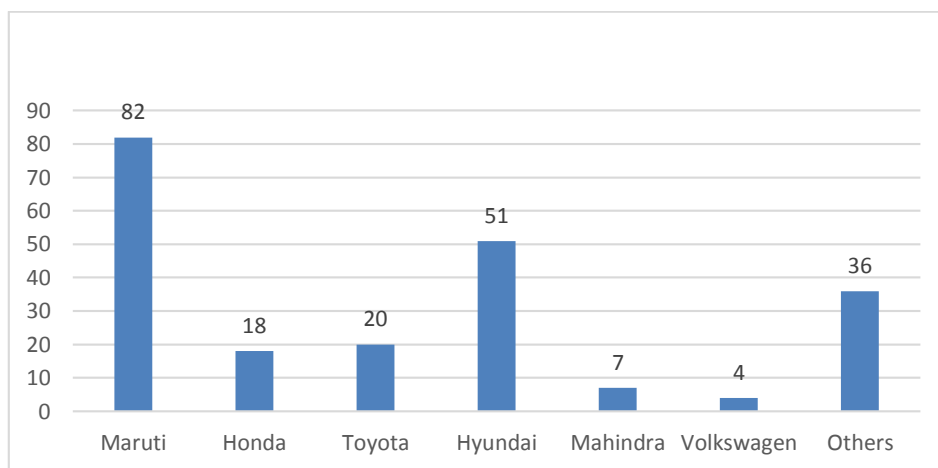


Figure 4 Brand Breakup

Respondents were asked for their brand preference. Brand preference in this context is assessed as likelihood of brand for the purchase of the first car.

Personality, as defined by McCrae & Costa, is “the relatively enduring styles of thinking, feeling and acting that characterize an individual” (McCrae & Costa, 1995). One of the most recent developments in understanding personality is the emergence of the Big Five, stemming from Cattells’ work, using factor analyses, on trait theory of personality (Hall, Lindzey & Campbell, 2004). More importantly, it is now widely recognized that almost all personality traits can be categorized under the five dimensions of Neuroticism (N), Extraversion (E), Openness to Experience (O), Agreeableness (A) and Conscientiousness (C).

Table 1 Brand Preference in Percentage

Brand	Number of respondents	Percentage
Maruti	82	38%
Hyundai	51	23%
Toyota	20	9%
Honda	18	8%
Mahindra	7	3%
Volkswagen	4	2%
Others	36	16%
Total	218	99%*

*Figures rounded off to the nearest percentage

Consequently, it is hypothesized that

H₁ Individual personality factors have an effect on brand preference for cars

Brand personality, as defined by Jennifer Aaker, is “the set of human characteristics or traits that consumers attribute to a brand” (Aaker, 1997). Characteristics implies traits which are defined as ‘any distinguishable, relatively enduring way in which one individual differs from others” (Guilford (1959) as cited by Kuenzel & Phairor, 2009). Brand personality creates a differentiation by making the brand interesting and memorable (Miladian & Babu, 2009). Brand personality allows brands to connect emotionally with the consumers, leading to trust and greater brand loyalty. Consumers want to have a holistic multifaceted relationship with their preferred brands and play a positive and active role in their lives, forging strong emotional bonds with the brands they engage with (Ranjbar, 2010). With the proliferation of brands, and intensified competition, it is imperative for brands to have a distinct personality, as a point of differentiation, in order to achieve competitive advantage.

Consequently, it is hypothesized that

H₂ Car brands will have an effect on brand personality

Analyses and Findings

Output Tables: these show the findings pertaining to the hypotheses 1 and 2.

- Brand Vs Individual Personality

The tabulations show that there is correlation between Brand and the individual trait of Agreeableness at 5 % Significance levels. The results show that there is no significant correlation between Brand and other Individual Personality Traits.

Chi-Square Tests

	Pearson Chi-Square	Value	df	Asymp. Sig. (2-sided)
1.	Brand Vs Extraversion	31.315 ^a	24	.970
2.	Brand Vs Agreeableness	46.751 ^a	24	.004
3.	Brand Vs Conscientiousness	11.403 ^a	24	.986
4.	Brand Vs Emotional Stability	26.085 ^a	24	.349
5.	Brand Vs Openness to Experience	26.122 ^a	24	.347

- Brand Vs Brand Personality

There is some significant correlation shown between the Brand and Brand personality trait of Sophistication, Excitement and Ruggedness at 5 % Significance level. The results show that there is no significant correlation between Brand and Brand personality traits of Competence and Sincerity.

Chi-Square Tests

	Pearson Chi-Square	Value	df	Asymp. Sig. (2-sided)
1.	Brand Vs Competence	57.422 ^a	48	0.165
2.	Brand Vs Sincerity	76.668 ^a	78	0.521
3.	Brand Vs Excitement	96.693 ^a	78	0.074
4.	Brand Vs Sophistication	78.548 ^a	78	0.004
5.	Brand Vs Ruggedness	69.195 ^a	78	0.024



Figure 5 Text Analytics of Brand Preference

Respondents were asked “What do you look for when preferring a brand?” The results of the responses are summarized in Figure 5. Though India is a price sensitive market, and Indian consumers are looking for value for money, however, the results indicate that comfort and looks are prominent features which consumers are looking for, and they are willing to pay a premium price for the features.

These findings are supported by the Focus Group discussions (FGD) conducted on a different set of respondents.

Three Focus Group discussions were conducted on groups of 10 Second Year Semester IV students. The respondents were chosen as they will be graduating in 2020, and are likely to make their first decision for car purchase in the next one year. The results of the FGD and the questions pertaining to it are attached in Annexure I

4. Discussion

Data clearly indicates that Individual personality factor of Agreeableness amongst all others does have an effect on brand preference for cars. Also, brand preference has significant correlation with the brand personality traits of Excitement and Ruggedness. The outstanding feature which attracts customers is the Mileage, Looks and the Brand. Also, the findings indicate that comfort and looks are the features for which consumers are willing to pay a premium price. The focus groups highlight the convenience factor as predominant while purchasing a car as also the status associated with it. Another inference from the focus group discussion was that inspite of all the problems associated with the purchase and maintenance of the car (Fuel costs, maintenance costs, parking, road congestion, lack of infrastructure) the respondents would still like to own the car for personal use.

5. Conclusion

Research has proven that material objects become favorite or love objects, an extension of an individual's personality and self-concept, reflecting deep personal meaning or attachment (*Matzler et al, 2007*). Belk, extending that hypothesis, postulates that extreme identification with automobiles is predominantly a male fascination, given that automobiles can be associated with power, dominance, danger, mobility, status and competition – stereo typically male fixations (*Belk, 2003*). These passionate feelings result in enthusiastic evangelism of the brand – a behavior which is of interest to the marketer. It is also found that extraverts are more prone to evangelizing; hence it is important for marketers to take cognizance of these consumers, as disappointment in the brand can lead to negative word-of-mouth publicity.

The Indian automobile sector looks promising. As Government policies become clear, consumers are waiting to see how the manufacturers will respond to the new norms. Most consumers do plan to own a car; as it is a status symbol and a reflection of one's personality and social image.

6. References

1. Aaker, Jennifer L (1997) "Dimensions of Brand Personality" *Journal of Marketing Research*, Vol 34, Aug 1997 pp 347-356
2. Belk, Russell W. (2004), "Men and Their Machines", in *NA - Advances in Consumer Research Volume 31*, eds. Barbara E. Kahn and Mary Frances Luce, Valdosta, GA: Association for Consumer Research, Pages: 273-278
3. Brooker, George (1976) "The Self-Actualizing Socially Conscious Consumer" *Journal of Consumer Research*, Vol. 3, No. 2 (Sep., 1976), pp. 107-112
4. Fujiwara, K. and Nagasawa, S. (2015) Analysis of Psychological Factors That Influence Preference for Luxury Food and Car Brands Targeting Japanese People. *American Journal of Industrial and Business Management*, **5**, 590-600. <http://dx.doi.org/10.4236/ajibm.2015.59059>
5. Gayathri D. Lakshmanan K (2014) "A Study on Consumer Preference on Users of Car in Krishnagiri Town" *International Journal of Business and Administration Research Review*, Vol.1, Issue.5, April-June, 2014pp 132-139
6. Gronhaug, Kjell (1975) "How New Car Buyers Use Advertising" *Journal of Advertising Research* Volume 15, Number 1, February 1975, pp 49-53
7. Kuenzel, Sven & Phairor, Klairoong Hawa (2009) "A Short Scale for Measuring Brand Personality" *Australian & New Zealand Marketing Academy Conference (ANZMAC) 2009*
8. Kuenzel, Sven & Halliday, Sue Vaux (2010) "The chain of effects from reputation and brand personality congruence to brand loyalty: The role of brand identification" *Journal of Targeting, Measurement and Analysis for Marketing* (2010) Vol 18, pp 167 – 176
9. Matzler, Kurt; Pichler, Elisabeth A & Hemetsberger, Andrea (2007) "Who is Spreading the Word? The Positive Influence of Extraversion on Consumer Passion and Brand Evangelism" *AMA Winter Conference Proceedings, American Marketing Association*
10. Miladian, Hossein & Babu, Nagendra K (2009) "Automobile Scene: Brand Awareness, Image and Personality" *SCMS Journal of Indian Management*, July - September, 2009, pp 81-85
11. Palmer, Lucinda & Dillard, John (2015) "The Relationship between Personality and Consumer Behavior Buying Patterns Within the Automobile Industry" *International Journal of Management and Marketing Research* Vol. 8, No. 1, 2015, pp. 1-13
12. Prieto, Marc & Caemmerer, Barbara (2013) "An exploration of factors influencing car purchasing decisions ", *International Journal of Retail & Distribution Management*, Vol. 41 Iss 10 pp. 738 – 764
13. Ranjbar, Somayeh (2010) "Application of Brand Personality Scale in Automobile Industry – The Study of Samands' Brand Personality Dimensions, Master Thesis Lulea University of Technology
14. Shende, Vikram (2014) "Analysis of Research in Consumer Behavior of Automobile Passenger Car Customer" *International Journal of Scientific and Research Publications*, Volume 4, Issue 2, February 2014

15. Siguaw, Judy A; Mattila, Anna & Austin, Jon R (1999) “The Brand Personality Scale – An Application for Restaurants” *Cornell Hotel and Restaurant Administration Quarterly*; Jun 1999; 40, 3, pp 48-55
16. Stanton, John L & Lowenhar, Jeffrey A (1974) “A Congruence Model of Brand Preference: A Theoretical and Empirical Study” *Journal of Marketing Research*, Vol. 11, No. 4 pp. 427-433 Pub by American Marketing Association
17. Swaminathan, Vanitha; Stilley, Karen M. & Ahluwalia, Rohini (2009) “When Brand Personality Matters: The Moderating Role of Attachment Styles” *Journal of Consumer Research*, Vol. 35, No. 6 (April 2009), pp. 985-1002 Oxford University Press
18. <http://www.jstor.org/stable/10.1086/593948>
19. Toth, Marisa (2014) “The Role of Self-Concept in Consumer Behavior” *UNLV Theses, Dissertations, Professional Papers, and Capstones*. 2161.
20. <http://digitalscholarship.unlv.edu/thesedissertations/2161>

Books

Hall, Calvin S, Lindzey, Gardner & Campbell, John B (2004) *Theories of Personality* John Wiley & Sons
 Schiffman, Leon G; Kanuk, Leslie Lazar & Kumar, S. Ramesh (2010) *Consumer Behavior* Pearson Publication 10th Ed.

Web Links

1. <http://www.financialexpress.com/auto/car-news/top-10-car-manufacturers-in-india-know-car-makers-market-share-in-2017/1011187/>
2. http://www.business-standard.com/article/companies/maruti-honda-and-tata-motors-corner-bulk-of-market-share-in-2017-118010400850_1.html
3. <https://www.statista.com/statistics/316850/indian-passenger-car-market-share/>
4. <https://auto.economicstimes.indiatimes.com/news/industry/complete-india-auto-sales-analysis-2018-cv-sales-crosses-a-million-mark/67549073>

7. Annexure I

Focus Group Discussion 1: Automobile Sector Analysis

No of Participants: 8

Demographics: SEC A/B Age: 20 to 25 Category: B school students

Moderator/s: Dr. Rachna Sharma

Focus Group Discussion 1 ;Question	Response	Remarks	Analyses
Why do people buy cars?	If they can afford		Data clearly indicates that the belief that the millennials do not want to buy cars due to high maintenance, high fuel etc is not valid. The future looks promising, as this group, which will start working in the next 1 year, is likely to buy a car as soon as they can afford it
Future plans	100% said they would		
Reason for slowdown	<ul style="list-style-type: none"> • Models need to be more compliant, BS VI & electric • Convenient public transport, eg AC buses • Cost of maintenance • Traffic congestion – Specially while there is construction on the roads 		
Is car a liability	80% felt that car is a liability As long as it is being used, it is an asset. It is a liability only when one plans to resell.	Yet, the respondents plan to buy a car	If used for Personal use, it is an asset. A car is an up gradation of a lifestyle, from public transport to personal car.
		The popular choices were Toyota Camry, Hybrid, & MG Hector (SUV)	The data supports the consumer behavior trend luxury cars are not experiencing a downturn. People, who can afford it, are still purchasing luxury cars & upper end brands.
Other remarks	The brand which has seen major downturn is Maruti. Brands such as Kia & MG Hector, continue to do well in the markets despite price rise & waiting.	The affordable cars are experiencing a downturn. The niche luxury market continues its growth. The respondents believe that the implementation of GST has affected the middle class	Does it indicate that the divide between the upper class & middle class is increasing? It is the burgeoning middle class which purchases brands like Maruti, Tata etc. these are the brands which have seen maximum slowdown.

		& the unorganized sector. The NBFC crises	
Some measures & recommendations	Charging Points Rechargeable batteries Diversification	According to the group, the sector will pick up in 2-3 years. New technologies will be adopted	

Focus Group Discussion 2: Automobile Sector Analysis

No of Participants: 8

Demographics: SEC A/B Age: 20 to 25 Category: B school students

Moderators: Prof. Prakash Pandit /Prof R. Krishnan

Question	Response	Remarks	Analyses
Why do people buy cars?	One reason is the aspiration to have an asset		Cost of maintenance and price does not come out as significant issues.
Future plans	All of them agreed that they would like to buy one for their own use		
Cause of reduced demand for four wheelers	<ul style="list-style-type: none"> The future - electric cars Traffic congestion – due to the maintenance Pollution issues- social conscience Parking issues Especially in Mumbai 		Factors in the larger Marketing Environment are areas of concern. But they are not going to affect decision to buy/not buy
Is owning a car looked at as a problem	Most of them expressed that having a car can be cumbersome, although this was not coming out very clearly	They (respondents) want to purchase a car in the future (definitely)	Car is seen as a valuable asset and perhaps also a sign of upward mobility
		The popular choices were Toyota Camry, Hybrid, & MG Hector (SUV)	Premium segment is not having any reduction of demand
Other remarks	SUV Markets not affected by the recessionary trends. On the contrary, these are selling more and also have a waiting period.(SUV's like MG Hector, Kia Motors and Creta and Venue)	Govt related actions like GST were seen as the reason for the slowdown?	The middle class esp in metros prefer public transport for convenience. However, there is a distinct sentiment that at some given point they would like to own a car.
Some measures & recommendations	Infrastructure should be improved. The environmental issues should be addressed. There should be more hybrid car varieties available.		

- Focus Group Discussion 3: Automobile Sector Analysis
- No of Participants : 8
- Demographics : SEC A/B Age: 20 to 25 Category : B school students
- Moderators: Prof. R. Krishnan
- Question: Do you own a car? All 5 do NOT own a car
- Question: Do you plan to buy a car in future: 3 yes; 2no
- Question: Why do you want to buy a car? What is the purpose?
- Useful and convenient if you are travelling with family; convenience –can travel whenever you want without depending of public transport (particularly important is you are travelling in the odd hours; a car also is a status symbol (1/5); no, it doesn't reflect status-if you are traveling by premium ola then it is not important to own a car of that brand (1/5);
- Travelling by car is much more convenient and also safer than travelling by two-wheelers; in the long run it is cheaper to travel by your own car
- Question: Is car ownership a liability?

A car depreciates in value; it also costs to maintain, repair (accidents) and service; parking cost, particularly in urban locations; cost of parking slot sometimes more than the cost of the car; they also add to pollution; driver is an additional cost