

An Analysis of Nature of Car Ownership Among Pondicherrians

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Abstract

This descriptive study, based on primary data collected by surveying 150 car owners in Puducherry, has revealed that 40% of them, mostly government employees, have more than one car in their family. Further, majority of the car owners, especially the middle aged, are aspiring to change their car. Most importantly, word of mouth seems to be the most important source from which they have come to know about their car and most of them have used borrowed funds to purchase their car.

Introduction

The financial year of 2016-17 witnessed a record production of 25.3 million motor vehicles in India which included 3.79 million passenger vehicles, making the country fourth largest car manufacturing nation. The year witnessed India topping production of two-wheelers, three-wheelers and tractors (19.9, 0.78 and 0.58 million respectively). During the year, 0.76 million units of motor vehicles were exported from India while the total cars manufactured in the country was 3.68 million. During 2016-17, total car sales in domestic market amounted to a whopping 3.05 million. As on 31st March 2015, there were 154.3 million registered two-wheelers, 28.6 million registered Cars, Jeeps and Taxis, 2 million registered buses, 9.3 million registered cargo vehicles and 15.8 registered Misc (incl. tractors and three-wheelers). Maharashtra, Tamilnadu and Uttar Pradesh topped the states with largest number of registered motor vehicles followed by Gujarat, Karnataka, Rajasthan, Madhya Pradesh, Kerala, Delhi and Andhra Pradesh. Delhi, Hyderabad, Bengaluru and Chennai topped the cities with largest number of registered cars. The auto industry contributes to almost 22% of India's GDP and offer employment, either directly or indirectly, to 13 million people.

Market Potential for Car Industry in India

Data reveal that Indian car industry is making big strides in the recent years. Factors such as entry of private and foreign players in the industry enhancing competition, liberal financing by financial institutions for purchasing motor vehicles, higher composition of young working class in the nation's population and boost in disposable income of people resulting in booming market for the industry have contributed significantly in increasing turnover of the industry. Furthermore, existence of large number of dealers, each competing to expand their customer base has also contributed substantially in boosting total sales of the industry. With the scenario expected to be booming further, future prospects of the industry is very bright.

Important Players in Indian Car Industry

With privatisation and liberalisation, many private and foreign players have entered the Indian car industry. Prominent among them are Maruti Suzuki, Tata Motors, Mahindra and Mahindra, Audi India, BMW India, Benz India, Ford, Honda, etc. This list is expected to grow and all these companies are introducing new models year after year, boosting their sales in both domestic and foreign markets. The number of cars sold by each of these players during the financial year of 2016-17 is displayed in Table 1.

Table 1: Sales Volume of Passenger Cars During 2016-17

Company	Volume	Company	Volume
Mercedes-Benz India	13231	Audi India	7742
BMW India	7500	Mahindra and Mahindra	506625
Fiat Chrysler Automobiles	6584	Renault India	135123
Ford India	249874	Tata Motors	542561
General Motors	25823	Volkswagen	60500
Honda Cars	156107	Nissan India	57315
Datsun Redi-Go Premier	2000	Hyundai Motor	500537
International Cars and Motors	3000	Maruti Suzuki	669 Million (till 2016-17)
Toyota Kirloskar Motors ¹	4250	Skoda Auto	3712
Suzuki Motor Gujarat	Production commenced in Feb 2017	Hindustan Motors	Sold 800000 Ambassadors till winding up

Source: Auto News, Blogs, Journals and Portals

Importance of the Study

Despite positive statistics about car market in India, studies have revealed that cars available in India very little satisfy the requirements of metro cities {Kumar and Krishna Rao (2006); Shirgaokar et al. (2012); Srinivasan et al. (2007); Padmini and Dhingra (2010); Banerjee et al. (2010)}. This implies that car manufacturers rely more on things which is not typical of metropolitan cities of Chennai, Mumbai, Delhi and Kolkata.

The next important issue to gain competitive advantage for any business firm is to reach the potential target market. To accomplish this, they must ensure that all information pertaining to their goods and services reach their target consumers at the most apt time in the most suitable manner (Mazis and Staelin 1982). Business firms should recognise that consumers decide about using goods or services only if they are convinced that consumption of such goods shall lead to accomplishment of their objectives of such purchase (Bettman 1979). To ensure this, they are constantly engaged in the process of searching for the best product and making comparison of different options. Surveys conducted by Consumer Federation of America and American Association of Retired Persons suggest that consumers display deep interest and spend more time collecting information about costly goods among which new cars occupy the top position, before making a purchase (Brobeck 1993). Important aspects regarding which consumers are on the lookout before deciding about purchasing cars include safety, amount of insurance cover needed, possibility of losing license or being booked by law due to involvement in accidents (Williams et al. 1995). Necessity of the consumer to consult others such as family members also has a bearing on purchase decision (Bettman et al. 1991). However, some consumers may have certain restrictions in accessing desired information due to different factors and under such circumstances; they might rely on word of mouth of their most trusted relatives, peers or friends. This study has made an attempt to assess the source of knowledge from which consumers gain information about purchasing their car and to assess different issues pertaining to owning a car.

Objectives of the Study

1. To take a look at car owning pattern among the people surveyed in Puducherry;
2. To identify the important sources of information from which people gather knowledge about purchasing cars;
3. To assess the prevalence of brand loyalty among the car owners surveyed;
4. To assess the source of funds through which the people surveyed have mobilised money needed for purchasing their car.

Methodology

The proposed research is descriptive in nature. The study is based in primary data, collected by administering a well-structured non-disguised questionnaire to 150 car owners in Puducherry, selected using Convenience Sampling. Data

relating to different aspects of owning a car has been collected and analysed using SPSS, employing the statistical tools of Percentage, Frequency and Correspondence Analysis.

Data Analysis

Demographic Profile of Respondents

Out of 150 respondents selected for this study, 89 are males and 61 are females; 19 are aged less than 30 yrs, 114 are aged 30-50 yrs and 17 are aged more than 50 yrs; 2 are under-graduates, 38 are graduates and 110 are post-graduates; 39 are Government employees, 40 are private employees and 71 are businessmen; 7 have monthly family income of less than Rs. 30,000, 62 have income of Rs. 30,000-60,000 and 81 have income of more than Rs. 60,000; 104 are married, 29 are unmarried and 17 are separated.

Number of Cars Owned by Family

Gone are the days when owning car is considered as a distant dream for the middle class people. Nowadays, some families are owning more than one car. The number of cars owned by the families of respondents is depicted in Table 2.

TABLE 2: No. of Cars Owned by Family

No. of Cars	Frequency
One	92
Two	47
More than 2	11
Total	150

It can be inferred from Table 2 that a shade above 60% of the respondents have quoted that their family possess only one car while just less than one-third of the respondents possess two cars in their family. A shade under 8% of the respondents have got more than two cars in their family.

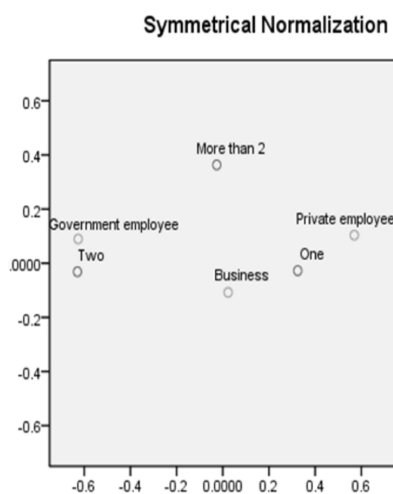


Fig 1: Occupation

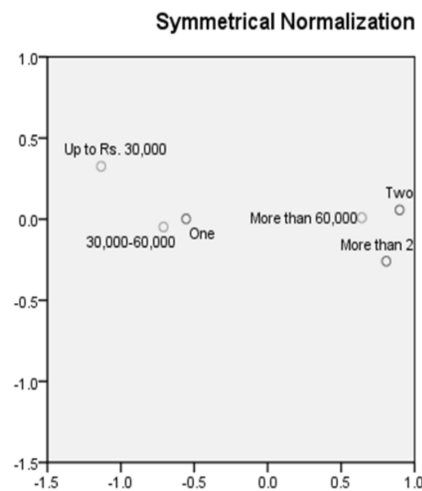


Fig 2: Monthly Income

It can be observed from the above figures that private employees and those with monthly income of Rs. 30,000-60,000 have only one car in their family while government employees and those with monthly income of more than Rs. 60,000 have two cars in their family. Those with monthly income of more than Rs. 60,000 also have more than two cars in their family.

Prevalence of Brand Loyalty Among the Respondents

An attempt has been made to assess whether the respondents are loyal to their present car and the results have been displayed in Table 3.

TABLE 3: Idea of changing car brand in the future

Idea of Changing Brand	Frequency
Yes	85
No	65
Total	150

It can be inferred from Table 3 that majority of the respondents are aspiring to change the brand of their car while 65 of them have depicted themselves as loyal customers of their present brand of car.

Association Between Age of Respondents and Brand Loyalty

The association between age of respondents and their loyalty towards the brand of car they are currently owning is displayed in Table 4.

TABLE 4: Association Between Age of Respondents and Brand Loyalty

Age	Intention to Change Car Brand	No Intention	Total	Pearson Chi-Square
Less than 30 yrs	8	11	19	0.044
30-50 yrs	71	43	115	
More than 50 yrs	6	11	17	
Total	85	65	150	

Table 4 highlights that majority of younger and older respondents prefer to be loyal to their current brand of car while bulk of middle aged respondents prefer to change their car brand in the future. The value of significance using Pearson Chi-Square is 0.044, indicating that there is significant association between age of respondents and loyalty towards car currently owned.

Source of Knowledge About the Car Purchased

Purchasing a car is a big investment, which will be done very carefully and cautiously, considering different factors. Customers might come to know about their car through their friends, relatives, agents, car loan providing financial institutions, Auto magazines, advertisements, etc. The source of knowledge about the car purchased by the respondents is displayed in Table 5.

Table 5: Source of Knowledge about the Car

Source	Frequency
Friends/relatives	56
Advertisements	43
Car experts	29
Auto magazines	22
Total	150

It can be inferred from Table 5 that more than one-third of the respondents have gained knowledge about their car through their Friends/relatives while little under one-third of them have come to know through Advertisements. A shade less than one-fifth of the respondents have gained knowledge about their car through Car experts while almost one-seventh of them have come to know through auto magazines.

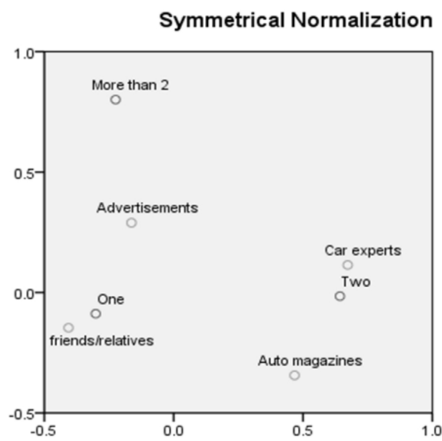


Fig 3: No. of Cars Owned

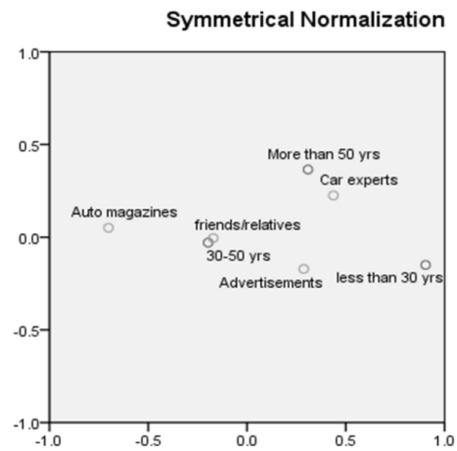


Fig 4: Age

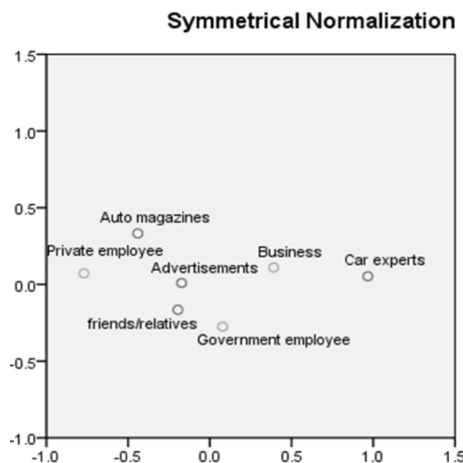


Fig 5: Occupation

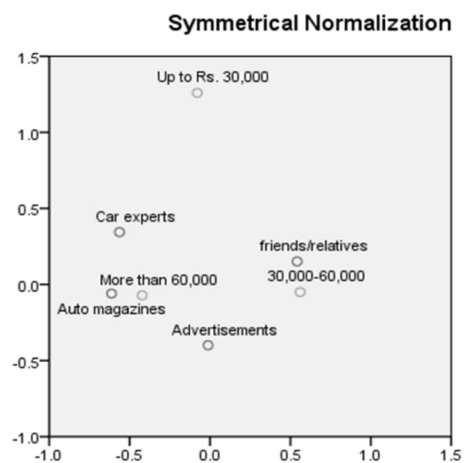


Fig 6: Monthly Income

It can be observed from the above figures that private employees, those having two cars in family and those with monthly income of more than Rs. 60,000 have gained knowledge about their car through auto magazines while those aged 30-50 years, government employees, those having one car in their family and those with monthly income of Rs. 30,000-60,000 have gained knowledge about their car through friends/relatives. Furthermore, those aged less than 30 years, those having more than 2 cars in family, businessmen and private employees have gained knowledge about their car through advertisements while those aged more than 50 yrs, businessmen and those having two cars in family have gained knowledge about their car through car experts.

Source of Money Needed for Purchasing Car

Purchasing car has become very easy nowadays due to many financial institutions, both banking and non-banking, offering auto-credit at liberal terms. An attempt has been made to assess whether the respondents have purchased their car through own or borrowed funds and the results are portrayed in Table 6.

TABLE 6: Source of Money for Purchasing Car

Source of Funds	Frequency
Fully Self	12
Borrowing from nationalized Banks	57
Borrowing from Private banks	44
Borrowing from Non-Banking Finance Companies	37
Total	150

It can be inferred from Table 6 that only 8% of the respondents have used their own funds to purchase their cars. More than one-third of them have borrowed from nationalized banks while less than one-third of them have borrowed from private banks and almost one-quarter of them have borrowed from non-banking finance companies.

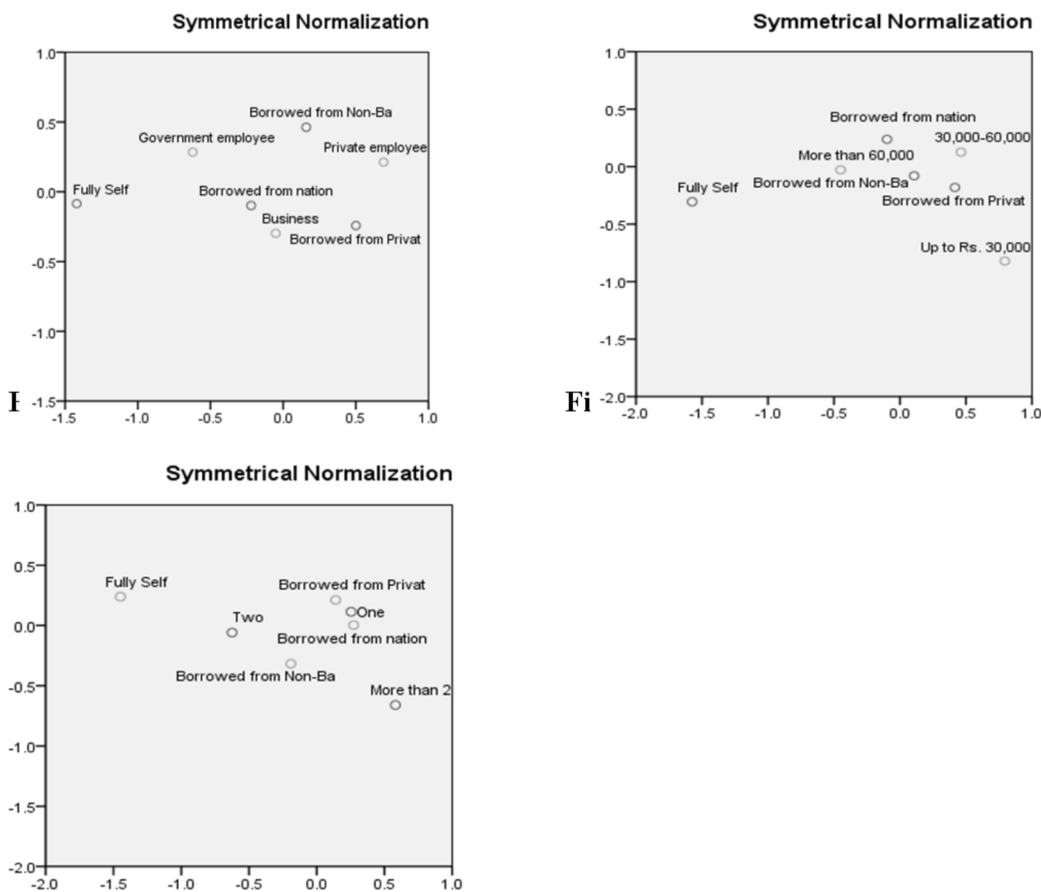


Fig 9: No. of Cars owned

It can be observed from the above figures that respondents having two cars in family, those with monthly income of Rs. 30,000-60,000 and government employees mobilized money for purchasing their car by borrowing from nationalized banks while those having more than two cars in family, those with monthly income of more than Rs. 60,000 and private employees mobilized by borrowing from non-banking finance companies. Respondents having one car in family and businessmen mobilized money for purchasing their car by borrowing from private banks.

Inferences from the Study

Though the study is simple, it has got many far reaching practical implications.

Almost 40% of the respondents surveyed have more than one car in their family while 60% of them have only one car. This implies that car dealers in Puducherry can consider those who have purchased car from them as prospective market and try to approach them through the data base they will be having and convince them to purchase a new car. Furthermore, petrol is priced lesser in Puducherry offers good scope for the flourishing of car industry in the region. This low cost fuel might also be the reason for families owning more than one car. This aspect can be exploited by car dealers to boost sales of their cars.

The study has revealed that government employees have more than one car in their family. With the seventh pay commission been implemented, car dealers should take concrete measures to reach government employees and impress them about buying car.

The study has revealed that majority of the respondents are aspiring to change their car implying that car dealers should bring to the notice of car owners, about different models of cars being introduced in the market through constant

messages in electronic format and try to impress them with the advanced features of new releases. The middle aged people should be the target market as they aspire to change the brand of car they are using currently.

The study has revealed that word of mouth plays a vital role in people gaining knowledge about car to be purchased. This reiterates the importance of serving well existing customers, both in the pre and post sale scenario as a satisfied customer may bring more customers. After sale service should be geared up to retain the existing customers and also capture new customers.

Car experts also serve as a potential source of knowledge about car to be purchased for customers along with advertising and auto magazines.

Updating of car models through auto magazines should be done and circulated among private employees and high income people as they rely upon these magazines to gain knowledge about cars. Advertising should be done through print and electronic media to reach businessmen as they largely gain knowledge about cars through advertising. Car experts should be updated about new models of cars so that they can influence the older people about purchasing these cars.

The study has also revealed that almost all the car owners have purchased their cars through borrowing. Nationalised banks have been the chief source of borrowed funds available for purchasing cars followed by private banks and non-banking finance companies. Nationalised banks and non-banking finance companies have been the source of borrowed funds for people aspiring to have more than one car in their family. Hence, car dealers should maintain a collaborative arrangement with nationalised banks and non-banking finance companies to offer auto credit, which will boost their sales. Also, government employees usually get their salary through nationalised banks and if car dealers have a tie-up with nationalised banks in which salary of government of employees are credited, they can well have an excellent boost of sales.

Conclusion

Car market has become highly competitive with more and more models entering the market regularly. Puducherry is a region with government employees and doctors occupying the major part of potential customers for high earned products such as cars. If car dealers can tap this market effectively, their business can survive. Hence, their strategies should target these high and middle class people if they wish to continue thriving in the highly competitive market.

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