Journal of Positive School Psychology http://journalppw.com
2022, Vol. 6, No. 3, 6258–6270

An Analysis of New Normal Consumer Behaviour for Buying Cars in Indian Automotive Industries in Mumbai

Dr. Girish B. Pawar

Associate Professor, PGDM, Smt. Jayashree Sharadchandra Kothari Business School, Mumbai, India
girish.pawar@despune.org

Abstract

The COVID-19 pandemic dramatically alters the course of business & industries all over the world. Global as well as Indian automotive Industry exposed to deep economic impact in terms of production, investment, and automotive supply chains. It alters buying behaviour of consumers. However, this industry quickly adapt to changes & came back on track faster than normal. Buying behaviour is a crucial aspect of demand for any product. It involves a combination of various factors such as Economics, Technology & the psychological involvement of consumers. It shows traits of the consumer through his perception of a product, quality, price, income, likes & dislikes, and very important lifestyle. Understanding buyer's psychology becomes a complex process nowadays, after a pandemic there seems to be New Normal behaviour everywhere such as new ways of interaction, ways of working & work timings, earning sources, future income & savings calculations. Today spending patterns, isolation & social behaviour have witnessed a lot of changes as compared to the behavioural pattern of the same consumer prior to the pandemic. As life is emerging to a normal state, which has resulted in drastic changes in demand for the automotive industry in India. This paper is an attempt to focus on the analysis of changes in consumers' New Normal Behaviour for buying cars which redefine demand, the shape of the Indian Automotive Industry, especially after a pandemic that drove a boost in this industry.

Keywords: Indian Automotive Industry, COVID-19 pandemic, Buyer's psychology, Changes in demand for the automotive industry, New Normal behaviour.

1. INTRODUCTION

The Indian automobile industry was subject to provisions of providing additional safeguards to the car makers till the late 1980s. However, change was observed since the early 1990s when Govt. of India adopts a policy of Economic liberalization and provided more autonomy to Foreign Direct Investment. Many world leaders in the Car Manufacturing Industry took benefit of it by opening their set up a production hub in the Indian economy. Car customers developed their own personal preferences and buying patterns which were completely new to the automobile industry.

Nowadays buying a car is the first choice of any individual when he climbed up the ladder of his income. Car ownership is doesn't remain to be a luxury segment. Its demand is prioritized as necessary. Liberalization in FDI policy resulted in more investment from foreigners in India which led to a change in demand for automotive vehicles in the Indian Industry. Considerable factors responsible for buying behaviour of consumers are Newer Technology, Television Advertising, Family needs, Fuel efficiency, Safety, Value for money & affordability perception of the buyer and Brand.

Total relationship management & connection with customer plays important role in the Car market. The competitive global market is a responsible factor for quality cars in all aspects. Good quality products & Good relationships with dealer often ended up with customer satisfaction. Service & Good customer relations help car companies to retain & expand the brand image for car customers. However, brand image solely can't give a guarantee about converting an offer into a sale. Cars are just like clothes and accessories whose demand changes according to consumers' personalities.

The COVID 19 pandemic changed the entire demand pattern for Cars. Consumers ignored public transport & shifted to private cars. This behavioural pattern of car consumers 'go deeper' into mid-size & smaller cities including Delhi & Mumbai. More customers realized the benefits of having personal vehicles. Personal mobility & used cars became a strong combination for car customers in the new wave of Covid cases. The public continues to avoid joy rides of sharing & public transport due to ongoing new variants of COVID. Till 2019 sales of used cars were roughly on par with new car sales in India. However due to aforesaid factors of buying behaviour of customers suddenly favoured demand for a pre-owned car. The outbreak of the pandemic & strict government transportation rules fuelled the demand for cars. The growth of start-ups in the industry resulted in a new source of earning, car rental plans, electric vehicle charging & attractive service packages also set the platform for electric vehicles in India. Global chip shortage is another reason responsible for the non-introduction of new car models which paved way for old car demand.

In 2022 **"New Normal consumer behaviour"** is observed in terms of unpredictable demand for the Indian automotive industry, especially cars. Manufacturers are struggling to predict exact consumers' perceptions about vehicles. The pandemic alters all our calculations of living. Some development has been sudden & unconditioned which again change consumers buying perception such as Social distancing, Masks, restrictions on shopping, transport, travel, etc. 'Will these changes in behaviour be temporary or permanent?' is a questionable question in front of us. This Behavioural changes & buying habits are directly connected with each other. Today consumers are trying to settle down on every new wave of the pandemic. This 'New Normal Consumer Behaviour' is definitely a fruitful productive ground for Indian Automotive Industry especially the car market in the upcoming days.

2. REVIEW OF LITERATURE

Consumers' behaviour regarding the demand for automotive products is always an important topic of discussion & research in the Indian industry. **Kanupriya (2018)**: In her research paper pointed out that the automobile industry is one of the high-performing industries in the Indian economy. FDI inflow showed a growing trend in the industry. Growing middle-class population with rising purchasing power & economic growth were responsible for the entry of multinational corporations into the Indian market. FDI alone could not benefit the domestic industry as well as consumers. Technology transfer, access to global managerial skills & practices, opening up the export market, increase in employment opportunities also need to attract foreign investment in the automobile industry. **Nikita Arya (2019):** In her research paper remarked that India was an important market for various overseas automakers. The most favourable part of India's automobiles was rising software content. India was one of the largest exporters of connected and software solutions for automobiles. Numerous manufacturers set up their backend for research & development for the global market. The Indian automobile industry was supported by low-cost skilled labour & steel production. India witnessed a shortage of lithium and cobalt reserves. She further added that the county needed collaboration for the import of raw materials needed for automobile production. **Gurupratap Boparai (2020):** Opinioned that the WTO has predicted that by 2020 global trade will fall by 13-32% in various markets & over 20% in 2021. Indian automotive industry also witnessed staggering 18 months. He further added that the strength of this industry depends on Indians' desire for an improved lifestyle & safe personal mobility. Tax deduction in GST might be the solution to overcome the negative sentiment about buying new cars**. Kavan Mukhtyar & Yogesh Thakar (2020):** Opinioned that normalcy in China and South Korea & Indian lockdown provided U-shaped economic recovery. Consumer preference shifted towards individual health, hygiene, and cleanness during travel. Consumers expected to switch more towards personal mobility. Shared mobility shifted to the backseat in the medium term. Buyers' sentiments and spending habits toward buying new vehicles were expected to create demand for used vehicles. Lower domestic sales resulted in a reduction in revenue & lower capacity utilization for Indian automotive suppliers. **Koushik Chatterjee (2021):** Opinioned that Covid 19 impacted badly on the performance of automobile industries in India, in some company's sales didn't cross any zero amount. People dropped their plan of vehicle ownership due to uncertainty of income. Most of them travelled through their own vehicles rather than public vehicles. Lockdown & Social distancing were important factors behind the car boom.

3. RESEARCH METHODOLOGY

A) STATEMENT OF PROBLEM

COVID 19 & its variants have created several problems in the entire world & left little for future visualization, Indian automotive industry is also riding on the same waves. At present industry is facing challenges on account of Manufacturing shutdowns, Fewer Vehicle sales, Massive layoffs, a Disrupted supply chain, changes in Consumer Behaviour & most important is an issue of Liquidity. In 2020 when the pandemic was at its peak Indian automotive sector was at its worst phase. However, since 2021 some improvement is witnessed in demand for cars.

B) SCOPE OF THE STUDY

1) This paper is an attempt at an in-depth market analysis of demand for cars in the Indian Automotive Industry, especially after a pandemic-driven boost
2) It focuses on the analysis of changing the behaviour of car buyers & its impact on demand for the car industry in India.

C) RESEARCH METHODOLOGY

The study is descriptive and analytical. It is based on primary data collected through the questionnaire from Mumbai only. A first extensive literature review is conducted on consumer's buying behaviour to understand its impact on Indian Automotive Industry. Then to know the current status of consumers' mindset about car buying a questionnaire survey was designed & conclusions are drawn on the basis of the analysis.

D) LIMITATIONS OF THE STUDY

Every research is impeded in its smooth flow by some contingent problems. The problems for this study arise in the form of budget, time, and scope of the study. Some problems were on the part of acquiring information from the respondents while answering the log questionnaire. This research paper is based on a sample size of 50 respondents living in Mumbai only which is not enough to analyze the exact change in consumer behaviour for buying cars.

e) Data analysis and Findings & Interpretations

a) **Indian Automobile Industry Analysis & Interpretations**

Indian Automobile Industry analysis is done on the basis of secondary data.

Year (FY)	No of Automobile Produced (In millions)	No of Automobile Sold in India (In millions)	No of Automobiles Exported (In millions)
2018	29.1	25.0	4.0
2019	30.9	26.3	4.6
2020	26.4	21.6	4.8
2021	22.7	18.6	4.1
2022	13.0	8.2	1.4

Table 1.0: Indian Automobile Industry analysis

Source: Self-compiled table on the basis of information available from ibef.org

Share of each segment in Total Production Volume (FY2021)
(From April 2021 to October 2021)

Type of Vehicle	% Share in Total Production Volume
Two Wheelers	81.2
Passenger Vehicles	14.6
Commercial Vehicles	3.1
Three Wheelers	1.2

Table: 1.1 Share of each segment in Total Production Volume

Source: Self-compiled table on the basis of information available from ibef.org

Indian Car Sales (FY2021)
(From October 2020 to October 2021)

Name of Organisation	October 2020	October 2021	Growth in %
Maruti Suzuki	1,63,656	1,08,981	-33.4%

Hyundai	56,605	37,021	-34.06%
Tata Motors	23,600	33,926	43.08%
Mahindra	18,317	20,034	9.4%
Kia India	21,021	16,331	-22.3%

Table 1.2: Indian Car Sales Figures (October 2021)

Source: Self-compiled table on the basis of information available from ibef.org

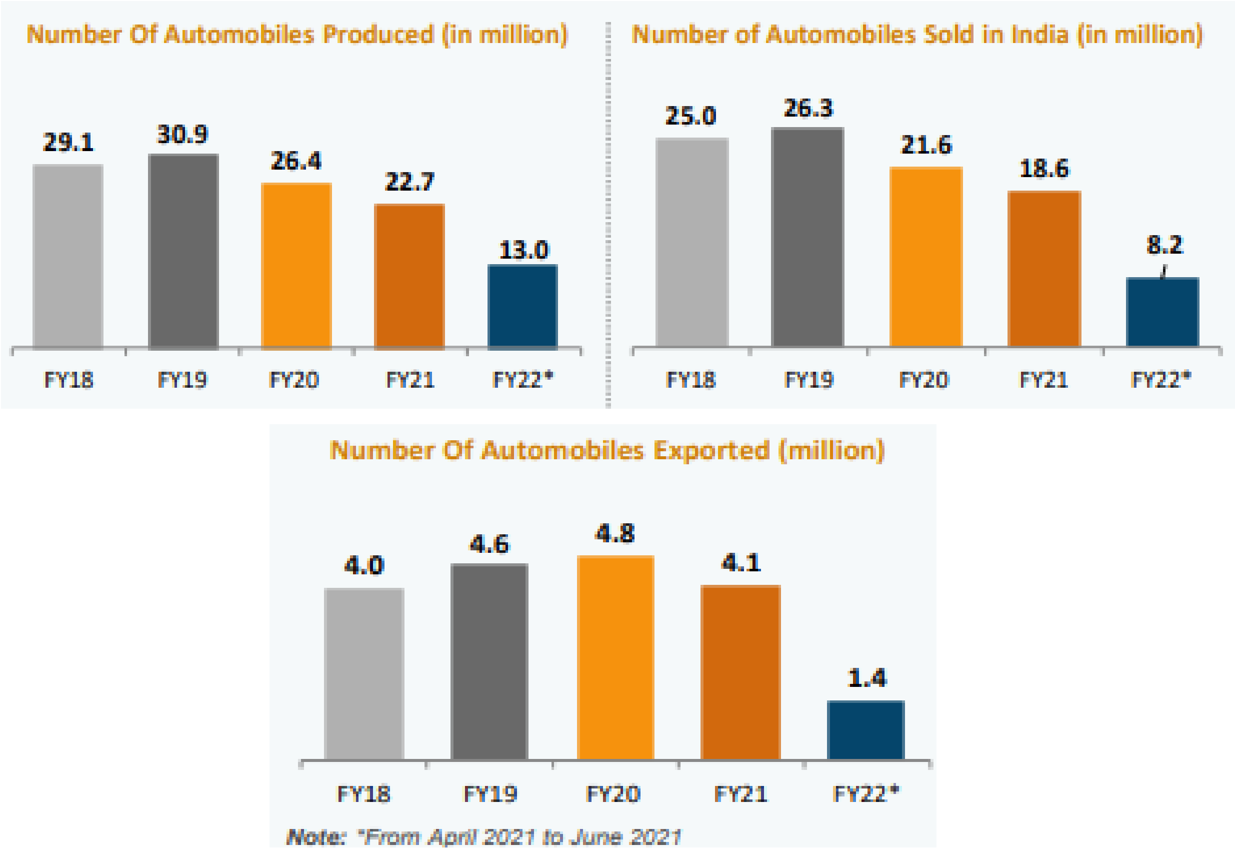

Fig. 1.0: Indian Automobile Industry analysis

Source: ibef.org

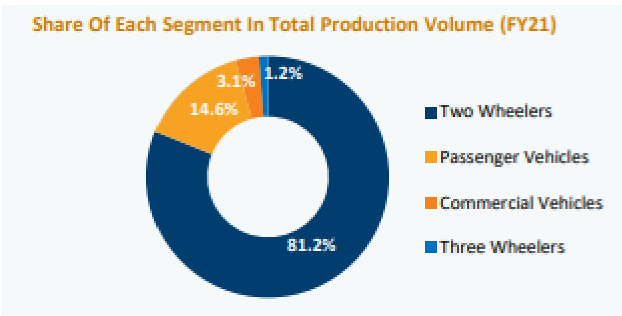

Fig.1.1: Share of each segment in Total Production Volume
Source: ibef.org

It is observed from the above table & figures that the market size of the Indian automobile industry shows variable trends in terms of Production, Sales, as well as Exports, during - before, during & post-pandemic phases. Till COVID 19 Industry shows rising trends in terms of Production, Sales & Export (units in million) such as 29.1 to 30.9, 25.0 to 26.3 & 4.0 to 4.6. However during the pandemic peak phase i.e. 2020-2021, it shows declining trends respectively such as 26.4 to 22.7 for production, 21.6 to 18.6 for sales & 4.8 to 4.1 for export. The present position of the post-pandemic era shows a position of 13.0, 8.2 & 1.4 of production, sales & export of Indian automobiles units respectively. The sectoral composition of 2021 shows that maximum demand comes from Two-wheelers 81.2% followed by Passenger vehicles such as car 14.6% & Commercial vehicles as well as Three-wheelers shows a position of 3.1% & 1.2% of total demand respectively. From Indian Cars sales point of view, Tata Motors shows positive growth of 43.8% followed by Mahindra 9.4%, whereas other few selected companies such as Maruti Suzuki, Hyundai & Kia India shows a negative growth rate of -33.4%, -34.6% & -22.3%.

b) Analysis of Consumer behaviour of car buyers in the Indian Automotive Industry & Interpretations

Primary data is collected from 50 respondents across gender, age groups & occupations. Data is collected through a questionnaire circulated in Mumbai city only.

Socio-Demographic Profile of Respondents

Class Interval	Respondents	% of Respondents
Gender		
Male	34	68%
Female	16	32%
Age Group		
18-30 Years	13	26%
31-40 Years	14	28%
41-50 Years	18	36%
51 & Above	5	10%
Educational Qualification		
Under Graduation	17	34%
Graduation	5	10%
Post-Graduation/Professional	28	56%
Source of Income		
Salaried	34	67.3%
Self-employed	16	32.7%

Table 2: Socio-Demographic Profile of Respondents

It is observed from the above table that 50 respondents were fully aware of the automotive vehicle such as car, the procedure to obtain a car & a license. Benefits & limitations of Car. Effect of having car ownership on their Physical, Social and Economic status on their life as well as on their family members & surroundings.

i) Analysis of car consumer behaviour about limiting factors on car ownership

Class Interval	Respondents	% of Respondents
Do you own an automotive vehicle (Two-wheelers/Three wheelers/Four wheelers/ Commercial Vehicles)?		
Yes	31	62%
No	19	38%
Do you think age is a limiting factor for buying a car?		
Yes	17	34%
No	33	66%
Do you think a Driving license is a limiting factor for buying a car considering the age of the buyer?		
Yes	23	46%
No	27	54%

Table 3: Car consumer behaviour - limiting factors on car ownership

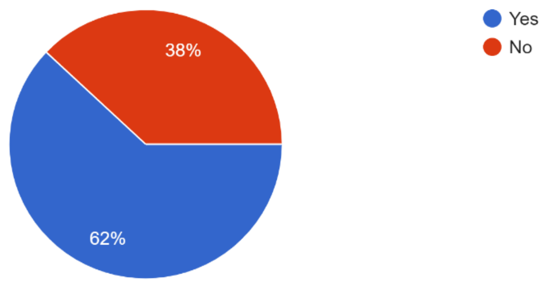

Fig.3.1: Ownership of automotive vehicle (Two-wheelers/Three wheelers/Four wheelers/ Commercial Vehicles)

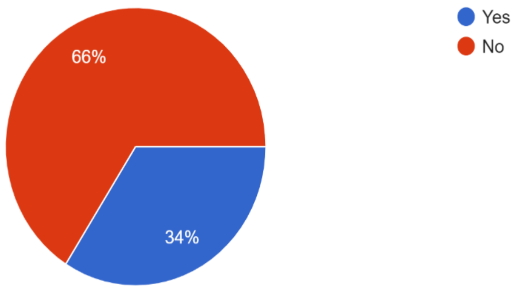

Fig.3.2: Age as a limiting factor for buying a car

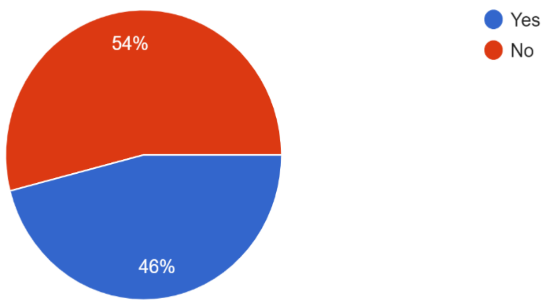

Fig.3.3: Driving license as a limiting factor for buying a car

The above table & figures indicated that 62% of respondents favoured ownership of cars. Whereas 38% of respondents were not favoured ownership. To analyse limiting factors from car ownership on account of age bar & government procedure for driving a car on the road questions were asked. Analysis of the association of these factors shows that a positive response was given by 34% of respondents on account of age as compared to 66% of 'No' respondents which clearly indicated that age was not a limiting factor. The analysis further indicated the opposite result on account of the driving license where 46% of respondents respond 'Yes' as compared to 54% of 'NO' respondents. It shows that obtaining a driving license is not a challenge now.

ii) Analysis of consumers' preference towards the benefits of car

Class Interval	Respondents	% of Respondents
What is your opinion about " Public transport provides great value to gender safety in travel"		
Strongly disagree	4	8%
Disagree	19	38%

Neither agree nor disagree	11	22%
Agree	13	26%
Strongly agree	3	6%
What do you feel about "self-owned or family/friends-owned car should be preferred over public transport to avoid health issues & it brings happiness in the journey also"?		
Strongly disagree	4	8%
Disagree	4	8%
Neither agree nor disagree	7	14%
Agree	21	42%
Strongly agree	14	28%

Table 4: Consumer's preference toward the benefits of car

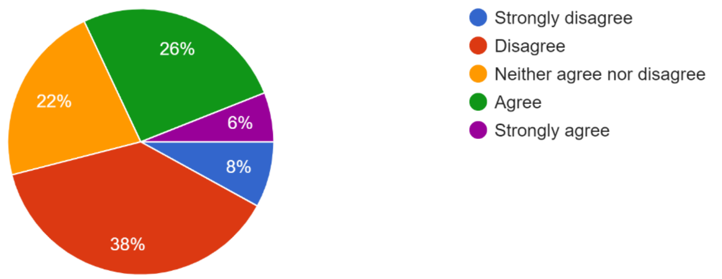

Fig.4.1: Consumer's preference towards Public Transport as it provides Gender safety during travel

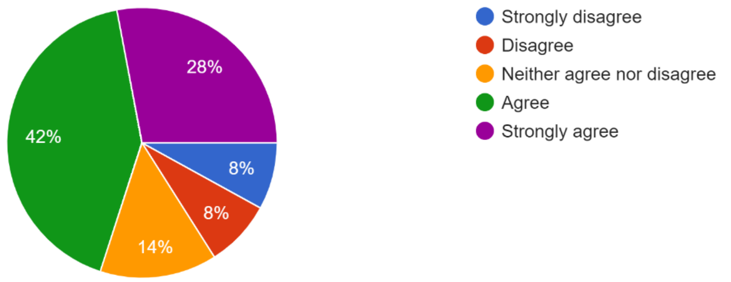

Fig.4.2: Consumer's preference towards Private car over Public Transport as it avoids health issues & brings happiness in the journey

It was observed from the above table & figure that Public transport use was less preferred by consumers on account of the safety of Female members of the respondent while traveling through public transport vehicles as 38% disagreed & 8% strongly disagree rest total 54% respondents were not favoured for public transport on account of gender safety. And in respect of the use of Private Car over Public Transport on account of health & travel happiness priority 42% respondents preferred Private car 28 % strongly agree with this whereas 14% were in opined as neither agree nor disagree & rest 16% voted for Public transport. It clearly indicated that private vehicle is demanded by car consumers on health issues & happiness during the journey.

iii. A) Analysis of consumers' preference towards the use of the car before, during & post-pandemic phase.

Class Interval	Respondents	% of Respondents
Which mode of transport do you use most frequently for long-distance outdoor activity either alone or with family & friends? a) Before COVID 19?		
Private Vehicles (Two-wheelers/Three-wheelers/Four-	19	38%

wheelers/Commercial Vehicles)		
Public Transport (Govt. Bus/Railway/Other)	31	62%
None of the Above	-	-
Which mode of transport do you use most frequently for long-distance outdoor activity either alone or with family & friends? b) During COVID 19 pandemic?		
Private Vehicles (Two-wheelers/Three-wheelers/Four-wheelers/Commercial Vehicles)	41	82%
Public Transport (Govt. Bus/Railway/Other)	7	14%
None of the Above	2	4%
Which mode of transport do you use most frequently for long-distance outdoor activity either alone or with family & friends? c) Post pandemic period at the present time?		
Private Vehicles (Two-wheelers/Three-wheelers/Four-wheelers/Commercial Vehicles)	31	62%
Public Transport (Govt. Bus/Railway/Other)	19	38%
None of the Above	-	-
Do you think traveling cost is the influential factor of the trip?		
Less influential & Not bothered	12	24%
Influential	23	46%
Very much influential	15	30%
Do you consider your travel purpose more than your health?		
Always	11	22%
Mostly	9	18%
Never	30	60%

Table 5: Consumers' preference towards the use of the car before, during & post-pandemic phase.

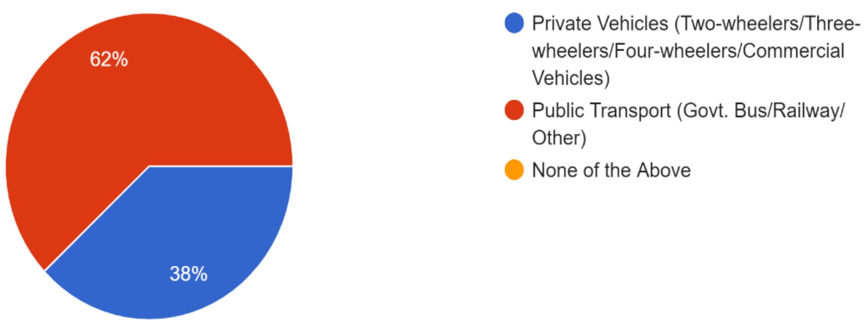

Fig.5.0: Mode of transport used by consumers mostly before COVID 19

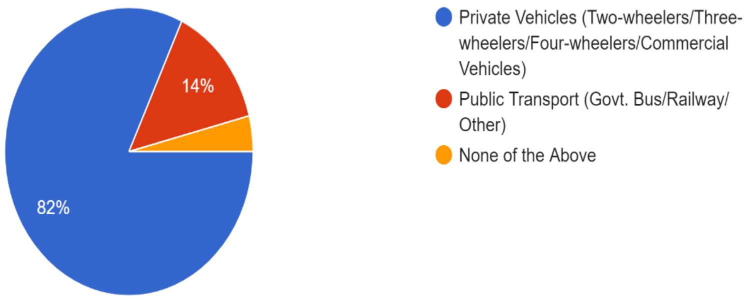

Fig.5.1: Mode of transport used by consumers mostly during COVID 19

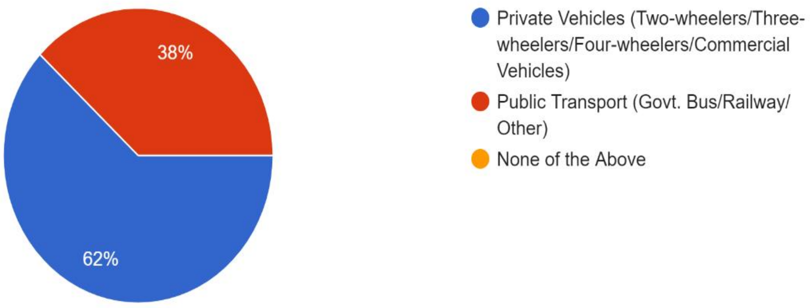

Fig.5.2: Mode of transport used by consumers mostly in the post-pandemic period

Analysis & association of use of automotive vehicles during the different time periods are shown in the above table & figures. It indicated that Before COVID 19 62% of respondents were public transport users which reduces to only 14% during a pandemic & at present this proportion again rose to 38%. Whereas Private vehicles used for the same corresponding period were 38%, 82% % & 62%. It indicates that consumers were preferred public transport before the pandemic but now the preference is diverted toward the use of private vehicles.

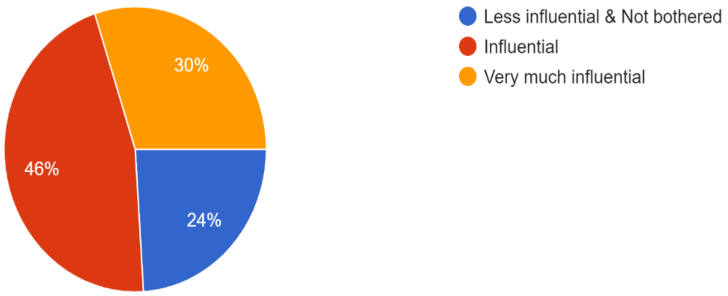

Fig.5.3: Influence of travel cost on car consumers behaviour

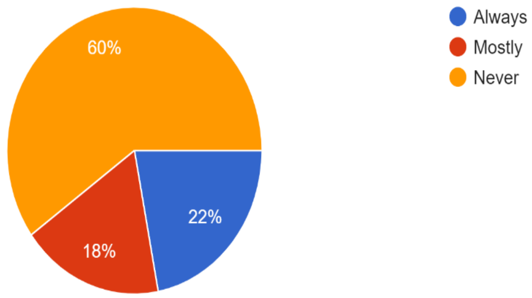

Fig.5.4: Influence of travel purpose over health on car consumers' behaviour

The above figures show the relationship between consumers' preference about cost & the purpose of travel. It clearly indicated that 46% of respondents agreed that the cost of travel was an important aspect of travel by any mode of transport. However whenever the question of safety of health arises respondents prefer health first i.e. 60% of respondents preferred that over the purpose of travel.

B) Analysis of car consumer's behavior regarding the effect of car ownership on their lifestyle

Class Interval	Respondents	% of Respondents
Do you pay much attention to social distancing during the present post-pandemic period while using the public mode of transport?		
Yes	38	76%
No	5	10%
Maybe	7	14%
Do think having your own car is the best possible solution to this problem?		
Yes	28	56%
No	7	14%
Maybe	15	30%
Do you have a plan for Vehicle Ownership?		
Yes	31	62%
No	6	12%
Maybe	13	26%
Which type of car would like to buy considering current restrictions on account of Social distancing, Masks & Restrictions on shopping, transport, and travel?		
New Car	41	83.7%
Pre-Owned Car	8	16.3%
Who influenced you most in making car-related buying decisions?		
Newer technology	9	18%
Advertising	-	-
Family needs	10	20%
Fuel efficiency	12	24%
Safety	7	14%
Value for money	6	12%
Income	5	10%
Band	1	2%
Do you think car buyers' behaviour has changed now after COVID 19?		
Yes	39	78%
No	11	22%

Table 6: Car consumer's behaviour regarding the effect of car ownership on their lifestyle

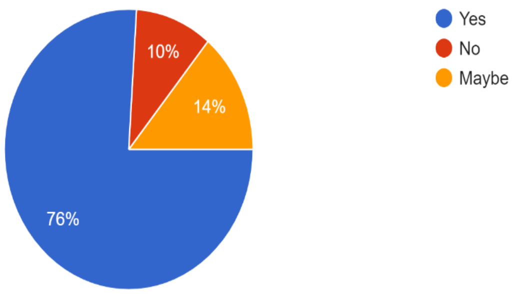

Fig.6.0: Consumers' preference toward following Govt.'s social distancing norms

The above Table & figures indicated that 76% of respondents paid more attention to following social distancing norms while using the public mode of transport whereas 10% of respondents replied 'No', which indicated that consumer behaviour is changing towards the use of the mode of public transport in the post-pandemic period & they pay due attention towards following government rules & regulations for overcoming the current pandemic problem.

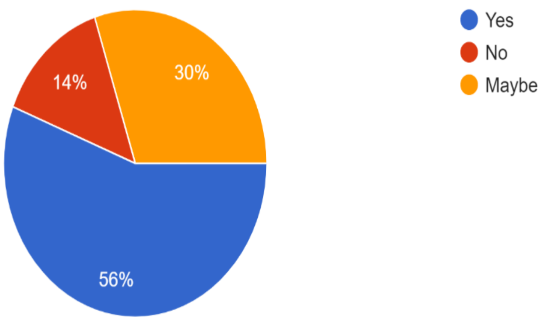

Fig.6.1: Consumers' behavioural response as own car can be the solution to overcome social distancing problem

The above figure indicated that 56% of respondents were in favour of a solution to the above problem of social distancing.14% of respondents were against this whereas 30% of respondents feel that it may be the one solution to the social distancing problem in the post-pandemic period.

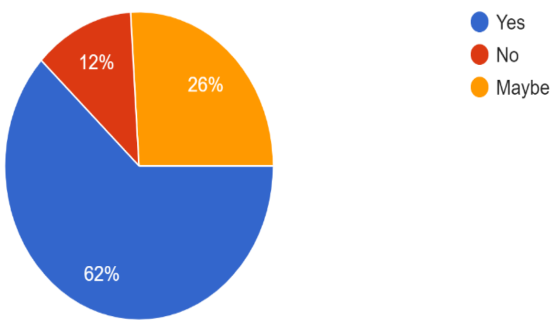

Fig.6.2: Consumers' behavioural response about having car ownership

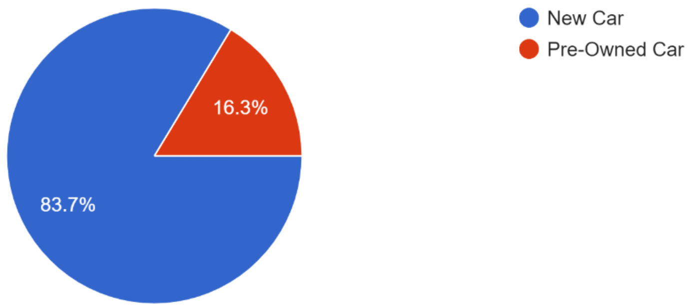

Fig.6.3: Consumers' behavioural response about having the type of car ownership

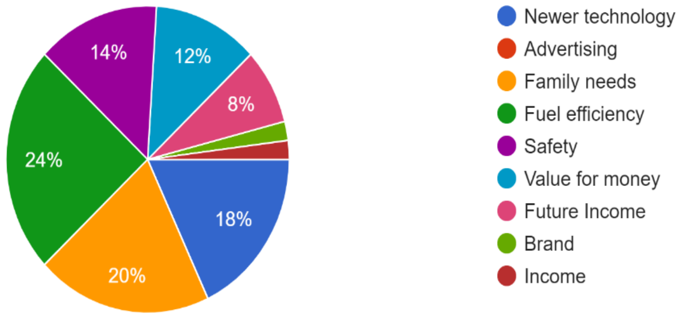

Fig.6.4: Consumers' behavioural response on influential factors of car buying decisions

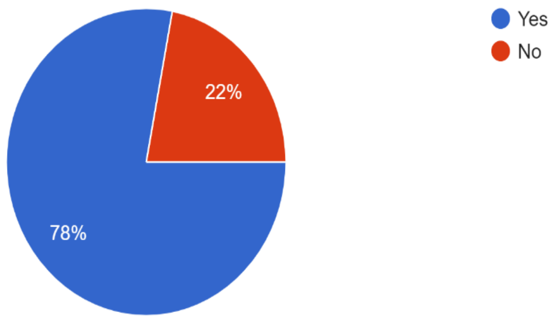

Fig.6.5: Consumers' behavioural response about non-consistency in behavioural pattern after COVID 19

The above table & figures indicated an association between the wiliness of car ownership & the type of car ownership. 62% of respondents intimated their consent of car ownership, 12% were not interested & 26% may be future car owners. On account of considering social distancing, Masks & other restrictions on shopping, transport & travel 83.7% respondents preferred to buy a new car & 16.3% indicated old car. Maximum influence can be observed on account of Fuel efficiency i.e.24% followed by Family needs 20%, Newer technology 18%, Safety 14%, Value for money 12%, Income 10% & Band 2%. Finally, 78% responded that consumer behaviour is not the same now as it was before in the past as 22% of respondents were not agreed with that.

4. CONCLUSIONS & FUTURE SCOPE

Indian Consumer's behaviour for buying cars is not the same as it was predicted before. Branding, customer connection, advertising were mostly used as common strategies in past to influence buyers' behaviour. COVID 19 has changed buyers' perceptions of the automotive industry. Now consumers prefer more of private vehicles rather than public transport as they feel safer in their own car while traveling alone or with family and friends. Today car buyers are showing more respect towards government pandemic control measures especially social distancing, wearing marks at a public place, restrictions on account of traveling. Consumers prefer health first over the purpose of travel. Still, fuel cost is a big concern for car buyers of 2022. Thanks to the Indian government initiative for the production of Electric Vehicle. In the year 2021 - 22,14,745 units of passenger, two & three-wheelers, and quadricycles were produced by the Indian automotive industry, rising income of the young & middle-class was the main reason behind this growing demand. In 2025 Indian Automotive industry is expected to receive Rs 50,000 crore (US$ 7.09 billion) from the sale of electric vehicles (EV) which in turn will make India a leader in this segment. The EV industry in India is likely to create 5 crores jobs by 2030. The Indian automobile sector received an FDI of about US$ 30.51 billion during 2000-2021. The Indian government expects US$ 8-10 billion from FDI by 2023. This may give some relief to car buyers. In the upcoming future, many buyers will prefer the option of EV (Eclectic Vehicle) on account of the cost of travel. This is indeed a new normal behaviour of Indian consumers which will definitely provide new hope to the Indian Automotive Industry.

REFERENCES

1. Balakrishnan Menon (2017) A study on consumer Behaviour of Passenger car segments through logistic egression modelling https://doi.org/10.1177%2F0972622517706876
2. Dhruv Mathur1 , Avdesh Bhardawaj2 , Aditi Pandey3 , Ashish Oberoi4 , Divya Rani5 (2018) Consumer Buying Behaviour of Cars in India - A Survey https://www.researchgate.net/publication/327070602
3. Gurupratap Boparai (2020) https://www.thehindubusinessline.com/specials/auto-focus/indian-auto-sector-adapting-for-a-new-post-covid-era/article31353981.ece
4. Kanupriya (2018) A study on automobile industry in India https://absjournal.abs.edu.in/abs-Journal-Volume-6-isuue-1-june-2018/abs-j-v-6-i-1-june-2018-article-13.pdf
5. Kavan Mukhtyar & Yogesh Thakar(2020) https://www.business-standard.com/article/economy-policy/life-after-covid-19-how-the-indian-auto-sector-can-be-future-ready-120042900315_1.html
6. Koushik Chatterjee (2021) Impact of Covid-19 on Buying Behaviour of Automobile (Cars) in India https://www.worldleadershipacademy.live/public/journal/16233915832007108149.pdf
7. Nikita Arya(2019) A Review of Growing Automobile Industry in India http://ijrar.com/upload_issue/ijrar_issue_20543064.pdf
8. Raghu G (2013) Car market and consumer behavior – A study of consumer perception https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2328620
9. https://www.ibef.org/industry/india-automobiles/showcases