

## **Buyer Behaviour of Small Cars: A study with reference to Chennai City**

**\*S.Solamalai**

**\*\*Dr. N.R.V. Prabhu**

\*Ph.D Research Scholar, AMET Business School, AMET University, Chennai

\*\*Ph.D Research Supervisor, AMET University, Chennai.

### **Abstract:**

The demand for Cars in India is expected to increase driven by rising population, increasing per capita income, improving infrastructure and lower impact of the global slowdown. The Indian Automobile and Auto Components industry is under continuous reforms, so a survey has been made to examine the features of a car namely uniqueness, luxury, Aesthetics, technical superiority and car accessories which attract customers the most while purchasing a car. The sampling technique used is simple random sampling and the sample size is 50 small car owners. The researcher constructed a structured questionnaire to collect the data from the residence of Chennai City residing in the Apartments. Chi-square test, a non parametric test was used to test the hypothesis that the choices for purchase of cars are equally distributed on the features. This paper explores the features and the factors which influence the purchase of a Car.

**Keywords:** Car accessories, Purchase Decision and Small Cars.

### **Introduction:**

India has become a fast-growing auto market in the past two decades. The Automobile sector is leveraged by car buyers, with their increased disposable income, enormous information search, and availability of lucrative financial options. The global auto component sector increased from USD 560 billion in 2004 to USD 625.6 billion in 2008 representing a CAGR of 2.8% which helps to boost the Indian auto sector. According to a study by AT Kearney in 2008, car priced lower than USD 5000 have a very high volume potential in emerging markets such as India.

The Small Car market has changed rapidly due to the fierce competition and advanced technologies. The automotive manufacturers and car dealers have to understand the consumers' preference on time and take fast actions to respond to market changes quickly. New cars are launched with unique and novel features day to day. Therefore it is better to study the buyer behaviour of compact cars in Chennai city.

### **Indian Automobile Industry:**

Indian automobile manufacturers are involved in R&D for further product improvements and developing new propulsion systems. They also serve a wide variety of transportation solutions across different levels. Automobile manufacturers have clearly committed themselves to supply the market with ever safer and more environment friendly products. In the same league, Insurance Regulatory and Development Authority have revised the premium rates on third party motor insurance cover which will make it costlier by up to 30%. As per revised rates, the private car owners have to shell out 4% to 6% depending on engine capacity.

**Car Segment:** The Car passenger segment increases by 25% and 30% during the financial year 2012 and 2013 respectively. The Economic slowdown and rising fuel prices, have limited the growth of automobile industry to 1.45% for the financial year 2013. The passenger vehicle segment (which encompasses small cars, Sedans, SUVs, MPVs and other varieties) is expected to post only single-digit growth rate for the next financial year too. (Source: SIAM Bloomberg, DNA March 2, 2013).

Maruti Suzuki India reported a sharp 52.2% plunge in sales at 51,458 units as against 10,755 units in the same month last year. Hyundai Motor India's sales fell 5% to 33,001 units whereas Tata Motors' passenger vehicle growth reported a 3% decline at 25,746 units due to fall in sales of Fiat vehicles. Not just cars, the slowdown in vehicle sales has percolated down to bikes too (Source: DNA November 2, 2013). The automobile industry is progressing on the path of success. It has the potent of survival in this globally scenario.

### **Objectives of the Study:**

The objectives of the study were:

- (i) To study the factors affecting the purchase of a car namely Car accessories, Luxury, Aesthetics, and Technical superiority and Uniqueness.
- (ii) To analyse the choices for purchase of car is equally distributed on the selected features.

### **Research Methodology:**

The researcher constructed a questionnaire with two sections. Section A consisted of demographic questions and section B consist the question regarding the factors affecting car purchasing behavior of a consumer in Chennai city. The sample Size is 50 car owners in Chennai city. A systematic random sampling was done to select 50 car owners from five residential areas of Chennai namely Anna Nagar, Ashok Nagar, Adyar, Mylapore and Royapurum i.e., ten car consumers from each area.

### **Data Analysis and Interpretation:**

Since the sample is small, Chi-square test a non parametric test is used to do the data analysis. It is hypothesized that the choices for purchase of car is equally distributed on the features namely Car accessories, Luxury, Aesthetics, and Technical superiority and Uniqueness.

The probability of obtaining any one factor over five features is  $1/5$  and as such the expected frequency of any one feature  $50$  divided by  $5 = 10$ . The Chi-square is calculated by using the observed frequency and expected frequencies.

**Table- 1 Chi-square Test (N=50; Df =4)**

Factors	Observed Frequency	Expected Frequency	Chi-Square Value
Uniqueness	3	10	21.60 *
Luxury	3	10	
Aesthetics	14	10	
Car Accessories	10	10	
Technical Superiority	20	10	

\*Significant at 1% level of significance.

The table reveals that the technical superiority affects the decision making of car buyers in Chennai city.

**Findings:**

1. Technical superiority features adversely affect the purchase of the car.
2. Car accessories availability also affects the purchasing decision of a car.
3. The choice of a car is made based on the luxury, Aesthetics and Technical superiority.
4. The Family factor also influences the purchase decision of a car.

**Conclusion:**

The automobile and auto- component industry has emerged as one of the greatest employment generator in India. The auto industry is linked with several other sectors in the economy and hence its indirect contribution is much higher than this. Recently, the Indian Automotive industry has been affected by the overall slowdown in the economic activity, lower consumer confidence, high interest rates and tight credit, and prevailing uncertainty in the job market.

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