

A STUDY ON CONSUMER BUYING BEHAVIOUR FOR USED CARS IN PUNE CITY

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ABSTRACT

This study investigates and explores the relationship between variables which affect consumer buying behaviour for used cars in Pune city. It also attempts to understand used car market in India. Questionnaires were distributed to respondents living in Pune city who have purchased the used car. The total sample consists of 84 respondents. Chi-square was used to test the hypotheses. The result of this study provides evidence and insights about the relationship between the variable which affects consumer buying behaviour for used cars. The study reveals the significant relationship between family income and make of the car; gender and colour of the car; family income and selling price. Apart from that, the study also provides valuable insight toward the understanding on how different factors provide the base for purchase intention and affects the consumer buying behaviour of used cars.

Keywords: Automobile Industry Used Cars, Consumer Buying Behaviour, Income, and Purchase Intention.

INTRODUCTION

There cannot be a second opinion on the fact that the automobile vehicles have become the unavoidable part of our life. Life without vehicle is just beyond imagination these days. It is not only an indicator of national economy; but an individual's progress graph can be measured on the grounds of the automobile vehicles used by him for day to day work and also for pleasures and treasures of happiness, prestige and style as well. The automobile industry in India is one of the largest in the world and one of the fastest growing globally. It is also viewed as the most lucrative industry. India's passenger car and commercial vehicle manufacturing industry is the sixth largest in the world, with an annual production of more than 3.7 million units in 2010. At present time, Indian automobile industry is making a major contribution in increasing the country's GDP by 9% every year. In January 2010, total automobile sales in the domestic market reached 1114157 units, the figures shows an increment of 44.9% compared to the sales units of 7,68,698 of same period last year. Annually, the Indian automobile industry is growing at an average rate of 30% and marking itself as one of the fastest growing industries in India. According to the reports of Society of Indian Automobile Manufacturers [SIAM], annual car sales are estimated to reach 5 million

vehicles by 2015 and more than 9 million by 2020. To believe New York Times reports, several automobile companies like Hyundai Motors, Nissan, Toyota, Volkswagen and Suzuki have expanded their manufacturing facilities owing to India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars.

The above statistics explains the situation of new cars in Indian market. However, used cars are also being sold like hotcakes. Used car segment has emerged as one of the major industries in India. According to a latest analysis, the yearly used-car demand in the Indian market is around 1.4 million cars. To benefit from the flourishing trend, leading organized manufacturers like Automartindia Ltd and Maruti's TrueValue have made a foray into the used- car business. Unlike other unorganized companies, they provide guarantee of accurate ownership and accident certification to their customers and vendors along with superior quality and benefits like warranty period and free repair services. In the past few years around 55 latest used cars models have been launched in India. Many car owners want to replace their present vehicles with the newer brands. Thus used-car market has been generating large revenue.

There are various criteria applied in the market in selling of the used-cars. Any person thinking to buy used-car does so primarily with the intention of investing fewer amounts which otherwise he would have to pay for the newer-one. Predominantly, the pricing consideration is based on the year of make according to the market trend. Of course other factors are also involved in the entire process of the transaction.

LITERATURE REVIEW

A used car can be much cheaper than its new counterpart. The depreciation is lesser and car financing too can be obtained easily. A survey was conducted and it was revealed that the demand for the used car market in India per year is 1.4 million cars (Carazoo 2012).

India represents one of the world's largest car markets. Easy availability of finance, and rising income levels are encouraging the launch of new car models which have been leading to a stupendous growth of the industry for the past few years. Besides, the entry of various international players has also had a positive impact on the used car market. Thus, the demand for used cars is anticipated to continue to grow at a stupendous rate in the future. According to the latest study on the sector, the Indian used car industry possesses a significant potential, with overall market expected to grow at a CAGR of around 22% during 2011-2014 to reach 3.9 Million Units by 2014-end (RNCOS E-Services Private Limited 2011)

The nation's major automotive players, including Maruti Suzuki, Toyota and Hyundai have established their footprint in the Indian used cars market. Despite their growing presence, the survey reveals that the Indian consumer clearly prefers a new car. An overwhelming 90% of the respondents prefer purchasing a new car. Among those who said they would opt for a second hand car, more than half stated that a second hand car is a cheaper option if the car is in a good condition (Boston Analytics 2008).

Customers give more importance to fuel efficiency than other factors. They believe that the brand name tells them something about product quality, utility, technology and they prefer to purchase the passenger cars which offer high fuel efficiency, good quality, technology, durability and reasonable price (Chidambaram and Alfreed 2007).

A higher number of respondents from the mature countries were in the market for new vehicles this year, especially smaller, more fuel-efficient cars. In all four mature markets (France, Germany, U.S. and U.K.) the number of intended new car buyers increased by several percentage points, while the number of intended used car buyers declined. This may reflect a return on the investments made by manufacturers in new product development, especially around smaller vehicles, alternative fuels, infotainment and communication technology, navigation systems, and safety and quality features. Consumers in developing markets are likely to spend a higher percentage of their income on vehicles than their counterparts in the mature regions (Cars Online 2012).

The effect of vehicle age on annual miles decisions (and consequently on market value) depends on household characteristics and the composition of the vehicle stock owned (Maxim Engers 2008). The trade in used commodities has received limited geographical attention. The global production network (GPN) approach offers a theoretical frame through which to explore how second-hand goods, such as used cars, are traded internationally (ANDREW BROOKS 2011). Cars had a greater probability of selling if the seller had a better reputation. The quality of the presentation and number of pictures did not enhance the price premium in any of the models (Thomas Andrews 2007).

Owners of used cars have an informational advantage over potential buyers with respect to the quality of their vehicles. Owners of bad cars will try to sell them to unsuspecting buyers while owners of good cars will hold on to theirs. Consequently, the quality of traded automobiles should be sub-average (Winand Emons 2002). New car dealers (who sell both new and used cars) differ from used car dealers (who sell only used cars) in the propensity to sell trade-ins on the wholesale market. Models of adverse selection suggest that the dealer type that sells a higher proportion of its trade-ins on the wholesale market will sell, on average, cars of higher quality and receive in return a higher price (David Genesove 1993). Economic studies have shown that the prices of used cars decline with age at a constant exponential rate (Susan Rose Ackerman 2007).

OBJECTIVES

1. To explore the relationship between variables which affect consumer buying behaviour for used cars.
2. To understand used car market in India.

RESEARCH METHODOLOGY

Researcher has adopted descriptive research design to get the detailing on said subject. Secondary data has been collected with the help of print media like books, magazines, research articles on Google scholars and such other websites. However, primary data has been collected with the help of questionnaire as a research instrument. Researcher has used SPSS for statistical analysis and testing of hypotheses. The researcher has adopted purposive sampling for obtaining sample from given population and selected 84 respondents comprising of male and female from Pune city who have purchased the used cars.

Research Plan

Research design : Descriptive Research Design

Data Source : Primary data and Secondary data

Research instrument : Questionnaires

Secondary Data Source : Print media like books, magazines, Research Articles on Google Scholar and such other internet websites, related company literatures

Sample Plan

Sampling Technique : Purposive Sampling

Sample Size : 84 respondents

Sample location : Pune Municipal Corporation (PMC) and Pimpri-Chinchwad Municipal Corporation (PCMC) areas.

Sample Unit : Service Class, Business Class

DATA ANALYSIS AND INTERPRETATION

| Chi-Square Tests | | | | | | | |
|---|------------------------|-----------|---------------|--------------|-----------------------|------------|---------------|
| Cross tabulation Variables | Cross tabulation Count | | | | | Chi-square | Result |
| | Strongly Agree (5) | Agree (4) | Undecided (3) | Disagree (2) | Strongly Disagree (1) | | |
| Family Income (monthly) * Purchase Intention | 40 | 34 | 2 | 6 | 2 | 0.087 | Insignificant |
| Gender* Purchase Intention | 40 | 34 | 2 | 6 | 2 | 0.093 | Insignificant |
| Family Income (monthly) * Make of the car | 36 | 33 | 7 | 0 | 8 | 0.000 | Significant |
| Occupation of the Respondent * Brand | 29 | 41 | 14 | 0 | 0 | 0.104 | Insignificant |
| Gender of the Respondent * Colour | 0 | 0 | 47 | 37 | 0 | 0.016 | Significant |
| Family Income (monthly) * Selling Price | 41 | 30 | 8 | 5 | 0 | 0.029 | Significant |
| Family Income (monthly) * Mileage | 34 | 28 | 22 | 0 | 0 | 0.077 | Insignificant |
| Family Income (monthly) * Fuel Variant | 20 | 36 | 28 | 0 | 0 | 0.16 | Insignificant |

*Reject the null hypothesis if 2-sided significance is less than the significance level of 5%.

The box labeled Chi-Square Tests gives the result of the chi-square test. Thus, through the analysis it can be easily interpret that there is significant relationship between family income and make of the car, gender and colour of the car, family income and selling price at 5% level of significance. However, it is also observed that there is no significant relationship between family income and purchase intention, gender and purchase intention, occupation and brand of the car, family income and mileage, family income and fuel variant at 5% level of significance.

FINDINGS & CONCLUSION

With the growing family incomes and ever-growing middle class society, India is becoming one of the most potential markets for used cars. Increased acceptance of new cars with latest technology and world class manufacturing has become most important factor for this growth. Pune's market itself has shown tremendous changes in car sector. The world class branded cars which were beyond the reach of the average Indians are now available at their next door. Volkswagen, BMW, Audi, Skoda and various such companies have set up their huge showrooms and selling centers in Pune. As a result of the same, many car owners are tempted to replace new variants and models for their old-ones. This, in turn has made used cars available in the market on a large scale. Moreover, those having dreamt of owning a car but with limited financial resources to invest and with other motives, they go for buying the used cars.

Despite this all, there are a number of factors influencing the buying behaviour of used car owners in India. This includes the emotions, purchase intention, family income, mileage, colour of the car, fuel variants, and make of the car. It is also observed that the owners of the used cars carry similar emotions and attachment as good as the owners of new cars. It is also observed that many car manufacturers have set up their separate units for dealing with the used car market. These establishments are spending huge amounts on advertisements and other promotional strategies. Growing interest of customers and also of the used-car dealers, assures the shining future of used cars in Indian market.

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