

# Identify the Factors Influencing Customer's Preferences for Segment of the Cars

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**Abstract – Yesterday's luxuries are today's necessities. Cars once considered as a luxury now takes a part of one's day to day life and it has become a necessity. The phenomenal expansion of the Indian economy has given a boost to the Indian middle class household and has led to creation of new customers that has invited large conglomerates to various market sectors in India. Automobile market is one of the largest in India and has witnessed a sudden growth in customer base in the form of the rapidly rising and expanding Indian middle class household. However, due to their continuous growth, it is difficult to identify various aspects that influence a middle class households buying decision in case of automobiles. The value, comfort ability, efficiency, accessibility, ambition and need are the factors affecting consumer's brand preference of small cars.**

**Keywords: Consumer Behaviour, Influencing Factors, Purchase Decision, Cars**

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## I. INTRODUCTION

The automobile manufacturing industry in India dates back to 1948. At that time there were just three companies manufacturing passenger cars i.e. Premier Automobiles in Mumbai, Hindustan Motors (HM) in Kolkata & Standard Motors Products India in Chennai. In early years the Indian automobile Industry faced several challenges and road blocks to growth because in those days automobile manufacturing was subject to restrictive tariff structure, strict licensing and limited avenues for expansion. Due to lack of competition initially the prices of cars were extremely high. And the customers had to wait for a long period of time for car.

Before Independence India was considered as a market for imported vehicles. In the 1950s the arrival of Tata Motors, Mahindra & Mahindra & Bajaj Auto led to steadily increasing vehicle production in India. In 1953 the government of India and the private sector launched efforts to create an automotive component manufacturing industry to supply to the automobile industry. By the end of 1970s, significant changes in the automobile industry were witnessed. After 1970 the automobile industry started to grow, but that growth was mainly driven by scooters, tractors and commercial vehicles.

In 1983, the government of India made a tie-up with Suzuki Motor Corporation of Japan to manufacture

low-cost cars in India. The Maruti 800 which is still known rolled out the factory of Maruti Udyog Limited in December 1983 and changed not just India's automobile industry but also the way people commuted and travelled. In 1990s through liberalization initiatives India opened its gates for all the countries and in 1993, the government followed up its liberalization measures with noteworthy reductions in the import duty on automobile components. Today the Indian automobile market has a mix of large domestic automobile players like Tata Motors, Mahindra & Mahindra, Bajaj, Hero Motocorp, Ashok Leyland and major international giants including Suzuki, Honda, BMW, Audi, DaimlerChrysler, Volvo, Hyundai, Toyota, Nissan, General Motors and Ford etc.

Each of us, in some way or the other, is a consumer. The process through which we buy products and services is different for every one of us and for every category of the product. Today's market is driven and dominated by consumers and that is the reason he is considered the King. Thus, the decision of, to be or not to be of a preferred brand or product depends solely on the choice of consumers. Understanding the buying behaviour of the target market is the essential task of marketing manager under modern marketing [1]. It is not easy to predict the complex mind of the consumers as each individual is a unique product of genetics, environment and

experience. If this riddle is solved then that may yield vast fortunes and if solved inaccurately may lend up in the situation of loss and that to of millions of rupees. For this reason, the buyer's mind has been categorized as a black box, which should be opened by the seller in his favour to be a successful marketer [2]. Consumer behaviour considers the many reasons personal, situational, psychological, and social why people shop for products, buy and use them, sometimes become loyal customers, and then dispose of them. Today even marketers pay for search advertising, or ads that appear on the Web pages, as likes to find out what kind of things interest a consumer. Businesses often try to influence a consumer's behaviour with things they can control such as the layout of a store, music, grouping and availability of products, pricing, and advertising. Some of the factors results in a temporary influence and others are long lasting [3].

Today in terms of transport means cars (light motor vehicle) are a bare indispensable transport mode to travel from one place to another place. Because of brisk industrial advancement and economic hike the standard of living of the people is upgrade. Road transport plays a significant role in the contemporary years. The customer adopts this because of its availability, adoptability to individual needs, services and authenticity. With higher volumes of production of all models of vehicles in the year ahead, road transport assumed still greater confront the present and future demand on road [4].

## II. CUSTOMER PREDILECTION

Customer predilection may be defined as a mean to choose an alternative which has the more worthy among a number of alternatives by the customer in soothing to delight his or her desires. Predilection implies choices among unbiased or more admired options available. The customer choice is the result of their behavior they show during searching, purchasing and disposing the products.

The concealed base of demand, therefore, it is an exemplary of how customers act. Every sole customer has a set of predilection and obstinate values whose conviction are differed from the rule of economics.

The customer predilection or preference no ambiguity that it is reliant on social, economic, culture, education, and individual taste and preference, among a plenty of other factors. The extent of these values in this miniature for a distinct good is in terms of the absolute opportunity cost to the customer who purchases and consumes the good. If a sole customer purchases a particular good, then the opportunity cost of that purchase is the different which they should purchase

## III. THE PHILOSOPHY OF CUSTOMER

Customer makes choices by apportion their scanty earnings athwart all possible goods in order to obtain the extreme delight. Correctly, it claims that customers magnify their usefulness subject to their allocation restraint. Usefulness may be defined as the delight that a consumer acquire from the utilization of the good.

It has been also stated above; usefulness of any goods elements is decided by an anchor of noneconomic factors. Customer value is gauge in terms of their analogous applicability between goods. These entire behavior shows customer predilection.

## IV. PHILOSOPHY OF CONSUMER CHOICES

Customer choices may be stated as the sole taste and preference, likings and disliking as gauge by its test to fitness, usefulness among assortment of goods. It gives freedom to customer to choose or to order the rank these assortments of goods according to the levels of usefulness or purpose for which the customer bought the goods. It is always keenly considered that these predilections are independent of income and prices. Purchasing power of a customer to purchase goods does not spectacle the customer liking or disliking towards the particular goods. One can have a preference for BMW over Datsun but only have the monetary aid to drive a Datsun. Consumer assessment is providing the market contemplation to the marketer. This empowers them to prior perception about their market achievement, customer predilection and their satisfaction level towards the services offered by them.

Consumer behavior defined as the behavior that a consumer display for its searching for purchase, using evaluation and despairing the products and services that will satisfy their needs and wants. It is the decision making process and physical activity is acquiring, evaluating using ad disposing goods and services. It is a blend of beliefs, attitudes and behaviors influence how a customer reacts to any product or services. Marketers evaluate those likings and demands generate by the customer and produce to clout the consumer behavior.

## V. PURCHASE DECISIONS MODEL OF THE INDIAN MIDDLE CLASS

In order to understand the factors influencing purchase decision of the Indian Middle Class, and understand its behavior, we refer to the purchase decision model by [5]

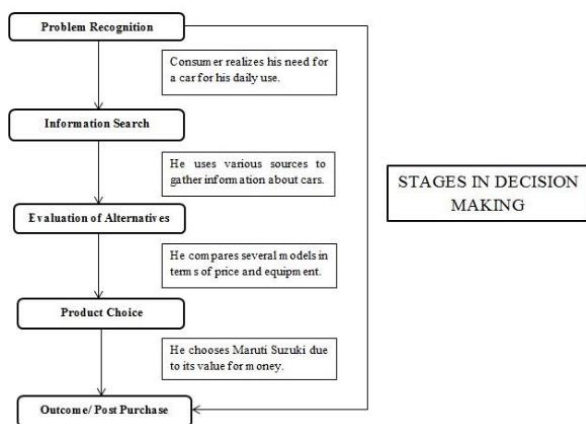


Figure 1.1: Purchase Decision Model, Michael R. [5]

**Step 1- Need Recognition and Awareness:** This is the first step in a purchase decision. Without this step purchase cannot take place. In this step the consumer recognizes his/her needs.

**Step 2- Information Search:** Once the consumer has recognized his need, he/she starts to collect information from various sources about the desired product. This involves shortlisting various available alternatives based on his/ her likes and dislikes and pre-existing attitude towards brands. Time spent of this stage usually varies depending upon the nature of the product.

**Step 3- Evaluation of Alternatives:** In the third stage, once the middle class family has shortlisted car on the basis of segment (hatchback, sedan or SUV), fuel (diesel/petrol/CNG) etc. they then begin to evaluate and score the various alternatives they have on various basis. Factors like brand power, segment leader, impact of opinion leader, ease of finance options, etc. plays a major role in framing of a consumers attitude.

**Step 4- Purchase:** The 4<sup>th</sup> step is the step where trade of money and transfer of ownership take place. This is the stage where after careful consideration the consumer finally purchases the desired product. Usually it is a simple matter of availability of funds and the desired product that decides the purchase date. For an Indian Middle Class family however there are various other factors to be considered. For example for a Hindu family it is extremely auspicious to purchase new products on a festival called "Dhanteras". As a matter of fact various families planning to purchase car in September postpone it till October for Dhanteras or Diwali [6]. These times see heavy surge in automobile sales. In the very same way it is considered unsuspicious to purchase any object made of metal on Saturday as it could offend Lord Sani [7]. The same trend is followed by Islamic families in India. The month of Ramadan is considered holy and families following Islam prefer to make a big purchase decision like car during this time. This phenomenon skyrockets on the final day

of Ramadan, at Eid-ul-fitr. Dealers come up with various special offers to woo customers during these time periods. Another time when middle class delays their purchase is during second half of December [8]. The major reason behind this is to usually that by waiting for less than thirty days, the car purchased in January has a later year of purchase against a previous December purchase and this pays dividend while selling off the car.

**Step 5- Post Purchase Evaluation:** The fifth stage takes place during the ownership of the product. This one of the most important stage for companies as it gives them a chance for customer retention. In this stage the consumer analyses if the product purchased has met his expectations. This is a very crucial stage as this will decide whether the consumer will repurchase from the same brand or will migrate over to its substitutes

### Kotler's Model of Buying Behavior of the Indian Middle Class

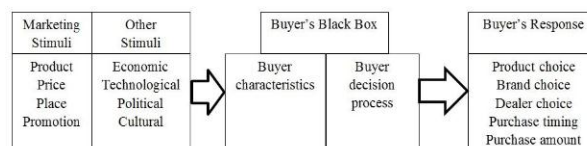


Figure 1.2: Buying Behaviour Model, [9]

There are three types of product-related attributes. The classification schema, as proposed by [10], for describing products, services, and brands includes three major types: 1) product referent, 2) task or outcome referent, and 3) user referent.

#### ► Product Referent

In the original model Physical Characteristics (PC) are the most objective types of product descriptors in the sense that they are measurable on some sort of physical scale, for example, fuel consumption, power or equipment level. Pseudo-physical Characteristics (PPCs) are objective in nature but not quite as measurable as PCs on a physical scale. Nevertheless, they reflect physical properties that are generally perceived and understood as such by both sellers and buyers; e.g., strength, shininess, or smoothness [11].

#### ► Task or Outcome Referent

Attribute dimensions that reflect the perceived benefits or outcomes from using a product/service are labelled task or outcome referent. These attributes primarily involve instrumental types of outcomes in the affective realm and involve subjective evaluations. Additionally, they can include the ambience of surrounding conditions while using the product or service. For example, a

product or service can be shown being used in pleasant surroundings such as beautiful scenery or in the company of friendly people. Benefits consist of attributes that describe specific need-satisfaction outcomes from using a product or service or buying from a particular supplier [11].

### ► User Referent

Attribute dimensions that reflect what usage of the product or service indicates or imply about the person who selects or uses it, are called user referent. These attributes reveal expressive properties that are also subjective in nature and referred to as Imagery. Imagery attributes suggest various types of associations that may be evoked by the product or service. They usually tell us how the product itself or use of the product epitomizes the user to other people. Phrases such as “the choice of high-status people,” “give a high-tech appearance” or “representative of premium car with best quality” are examples of Imagery attributes. Imagery is not intrinsic to the product itself, so such attributes need to be conveyed symbolically in promotions [11].

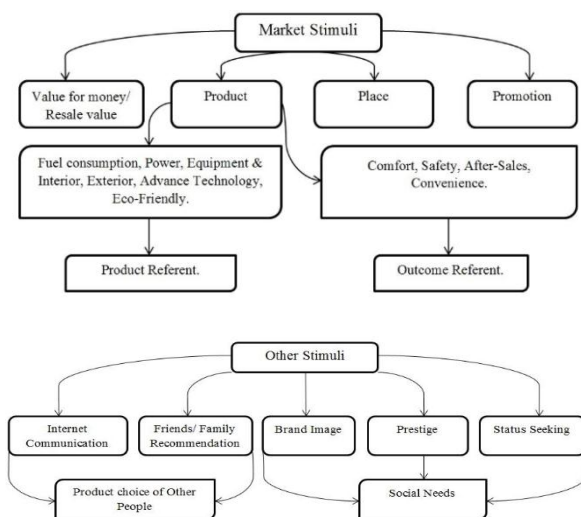


Figure 1.3: Adapted Buying Behaviour Model, [9]

### ► Market Stimuli

In the adapted model, “product” is the “car”; “price” is “car purchase price”; “place” means “distribution” and “channel”, such as 4S stores; “promotion” in our model means the insensitive given by car dealers or manufacturers. So, the market stimuli here means the consumers buy what kind of car with what price in which distribution channel with what kind of promotion activities given by car dealers. “Fuel consumption”, “power”, “performance”, “equipment & interior”, “exterior”, “advancing technology” and “eco-friendly” are physical characteristics and are measurable, so according to the classification schema proposed by [12] we should put them under the classification of “product referent”; “comfort”, “safety” and “after-sale convenience” are dimensions

which reflect the perceived benefits or outcomes from using the car.

It is not just foreign-made luxury cars that have to contend with complicated equations with the Indian consumer. The same applies to the cheapest of Indian models. When the Tata Nano launched a couple of years ago, priced at less than 100,000 rupees (€1000), the global press lauded the vehicle as an engineering marvel. The New York Times, compared its price tag to the “price of the optional DVD player on the Lexus LX 470 sport utility vehicle” claiming it to be “The world’s cheapest car,” [13].

### ► Other Stimuli

The decision process and the information source and so on can be described as “other stimuli” according to Kotler’s model. “Friends/family recommendation”, “Internet communication”, “brand image”, “prestige” and “status-seeking” all exist in consumers’ buying environment and could affect consumers’ purchasing decision. “Friends/family recommendation” and “Internet communication” belongs to “product choice of other people” because friends/family members or other internet users could affect the decision and provide a practical heuristic to limit the car choices; “social needs” here means that people have wants to belong a group and express their status and characteristics, so “brand image”, “prestige” and “status-seeking” should be put under “social needs” mechanisms.

In South India, driving a Mercedes or a BMW was considered obscenely ostentatious - something that people from good families simply would not do. In Delhi and Punjab, the opposite rule held. It’s said: “Punjabis like to show off their wealth. What’s the point of being worth millions and driving a local car? If you’ve got it, you might as well flaunt it with a BMW.” The increase in the number of luxury cars on Indian roads implies that people prefer to spend their money rather than hoard [13].

For automotive industry, a continual inflow of new products and outflow of old ones can be seen. Prices alone cannot explain the differences in market dynamics. Social processes, such as imitation, conspicuous consumption, and status seeking, appear to play a decisive role in market dynamics, so social processes have to be taken into consideration to explain changing consumption patterns among groups. [14] Two basic mechanisms are assumed to underlie the social processes that can be witnessed [15].

### ► Product Choice

The product choice of other people provides a practical heuristic to limit the set of options to choose between. Especially in conditions of



uncertainty, people tend to observe the behaviour of others to quickly find out about attractive solutions for a decision problem. For example people with similar education and purchasing budget show some similarity. In case of cars people prefer to buy Suzuki Alto for a number of reasons. [16] Both situational factors (e.g., complex products, unstable markets, visibility of consumption) and personal characteristics (e.g., uncertainty tolerance, motivation to comply) determine the extent to which people are inclined to use this type of social information [14].

#### ► Social Needs

People have needs to belong to a group (belongingness) and express their status and personality (identity). Hence using a certain product may have extra value because a particular group of people is already using it. For instance, one consumer may buy an entry level luxury car like Mercedes 'A' Class partly because of the status attached to it [17]. Here one may focus on people having higher (financial) abilities as sources of interesting opportunities for consumption. In case of car models, such social needs seem to play an important role in the product choice. The approaches of [18] and successors mainly focus on this second mechanism. Whereas the two mechanisms may operate separately, they often operate combined for example, a person imitating the clothing style of others to belong to the group.

### VI. FACTORS INFLUENCING CUSTOMER'S PREFERENCES FOR SEGMENT OF CARS

Anandh and Sundar (2014) study is to identify the factors affecting consumer's brand preference of small cars in Chennai. The majority of consumers prefer Maruthi Suzuki brand of small car. The value, comfort ability, efficiency, accessibility, ambition and need are the factors affecting consumer's brand preference of small cars. The regression analysis shows that value, comfort ability, efficiency and need are positively influencing the consumer's overall satisfaction about small cars at one per cent level of significance, while accessibility is also positively influencing the consumer's overall satisfaction about small cars at five cent level of significance. Therefore, the small car manufacturers should also focus on value-creating activities as such so that consumers will have a better perception of quality of the brand. By incorporating these factors, it also delivers a functional benefit such as creating a differentiation from industry competitors. There is cut throat competitions in the market on price front and so they have to find out better quality and low cost product. Indians are conscious about the price and fuel efficiency [4].

Joshi and Bhatt (2017) the automobile industry today is the most lucrative industry amongst others. Due to

increase in disposable income and increasing lifestyle parameters in both rural and urban sector and availability of easy finance are the main drivers of high volume car segments. Further competition is heating up with host of new players coming in and global brands like Porsche, Bentley, and Ferrari all set to venture in Indian market. This research will be helpful for the existing and new entrant car manufacturing companies in India to find out the customer expectations and their market offerings and to identify what consumer actually want. Indian Automobile car business is influenced by the presence of many national and multinational manufacturers. This paper presents analysis of research in the area of Consumer Behaviour of Automobile Car Customer. Proper understanding of consumer buying behaviour will help the marketer and new entrant to succeed in the market. All segments in Indian Car industry were studied and found that buyer has different priority of behaviours in each segment, whereas main driver for car purchase is disposable income [19]. Value for money, safety and driving comforts top the rank in terms of customer requirement; whereas perceived quality by customers mainly depends on brand image. The objective of this study is the identification of factors influencing customer's preferences for particular segment of cars.

According to Kalaiselvi and Nidhyananth (2018), before Independence India was considered as a market for imported vehicles. In the 1950s the arrival of Tata Motors, Mahindra & Mahindra & Bajaj Auto led to steadily increasing vehicle production in India. In 1953 the government of India and the private sector launched efforts to create an automotive component manufacturing industry to supply to the automobile industry. By the end of 1970s, significant changes in the automobile industry were witnessed. Auto mobile sector has incredible potential in India. The domestic market is large and has the potential to grow further in the future due to high disposable income and positive current low penetration levels. After liberalization, the Indian Automotive industry has emerged as a 'Sunrise sector' in our economy. This study aims to identify the brand preference of consumers and the factors influencing towards sedan cars. Most of the consumers in the study area prefer the brand Maruthi. The major factors influencing the purchase decisions towards sedan cars are Design of the car and word of mouth communication, Technology and durability, Feature and money value, Brand and services [20].

Joseph and Kamble (2011) evaluated the behavioural pattern shown by passenger car customers in of Karnataka state. The study is based on the data collected from 525 passenger car owners consisting of professionals, employees

of public and private sector, businessmen and agriculturist in Karnataka district. They found that one of the most important factors that influence purchase of passenger cars in India is the availability of auto finance or consumer credit [21].

Chopra (2018) conducted with the major aim to compare the consumer preference towards passenger cars of Maruti Suzuki and Hyundai Motors in Delhi Region. Convenience sampling technique was adopted with the sample size of 150 respondents. The primary data for the study was collected using a self-designed questionnaire. Independent T test analysis was used to compare the preferences of consumers towards the passenger vehicles of Maruti Suzuki and Hyundai Motors. The brands were compared on five attributes namely, colour, interior, price, after sales service and re sale value. The key finding of the study was that there is no difference in the consumer preference across these two brands on attributes such as colour, interiors and after sales service. However, the preferences of the customers varied on factors like resale value and price. The key recommendation of the research is about adopting innovative techniques by both these brands to distinguish themselves in the market and establish higher brand equity [22].

## VII. CONCLUSION

Consumer behavior comprises of all human demeanors that go in making previously and post purchase decisions. One can lead in the competitive market only after compassionate the complex consumer behavior. An understanding of the consumer enables a marketer to take marketing decisions which are appropriate with its consumer needs. Consumer Behavior blends elements from psychology, sociology, social anthropology, marketing and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups such as how emotions affect buying behavior. It studies characteristics of individual consumers such as demographics and Behavioural variables in an attempt to understand people's wants.

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