

Analysing consumer preferences in small car segment marketing essay



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The Indian Automobile sector with 2.6 million units produced in the 2009, is the seventh largest in the world and the fourth largest exporter in the world. Indian automobile sector registered a growth of 25.76% during recession, where at the same time the largest automobile market in the World, U. S. registered a loss in sales. At present India is the second fastest growing automobile market after China.

Some of the factors contributing to this exceptional growth were :

Introduction of stimulus package by the government

Lower interest rates

Sixth Pay commission

Introduction of new and attractive models by the company

The analysis was based on the current situation of both Global and Indian Automobile industry. The Automobile industry is growing at a phenomenal rate, with special mention of the small car segment. Considering the Indian scenario, apart from the major home grown player viz. Maruti Suzuki, Tata etc. international players like Volkswagen, Nissan are also entering the Indian market due to its high potential in the small car market.

CONSUMER ANALYSIS

India is a country of varied consumer segments with varied behaviour, likes & dislikes. The income distribution is also not uniform throughout India.

According to the statistics, out of 1000 households in India, 30 own a car with a penetration of only 45%. Now based on the income distribution,

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around 70 per cent are at the bottom of the pyramid which could afford small cars only. Hence there has been as tremendous growth in the small car segment.

Factors indicating the buying behaviour :

Easier movability in city

Ever increasing traffic problems

Poor Infrastructure

Households having big cars lookout for small cars generally for the females in the family

Compact design attracts many.

Smaller cars are considered as more fuel efficient than the big cars which in many cases is true.

Small cars are considered easy to park by both genders across segments.

SEGMENTATION AMONG SMALL CARS

The passenger car industry is segmented into 6 segments, from A1 to A6, depending on the length of the vehicle. This classification is done by SIAM, the Society of Indian Automobile manufacturers of India.

The classification criterion (in meters) for the various segments is as given below:

1. A1 (Mini): < 3.4 m

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2. A2 (Compact): 3.4 to 4.0 m

3. A3 (Mid-size): 4.0 to 4.5 m

4. A4 (Executive): 4.5 to 4.7 m

5. A5 (Premium): 4.7 to 5.0 m

6. A6 (Luxury): > 5.0 m

Our prime focus would be on A2 segment i. e the compact or small car segment. The major player in this segment in India is Maruti Suzuki, followed by Hyundai, Tata, Chevrolet and others.

INDIAN SMALL CAR SEGMENT ANALYSIS : SURVEY RESEARCH

The report covers the analysis of small car segment in India. To examine the automotive sector in India, primary research was carried out to find out the growth patterns and the key players in the market.

The study is a comparative analysis keeping Maruti Suzuki A-Star as the main model for study. The study also aims to make strategic recommendations for Maruti Suzuki India Ltd. and its product A-Star to improve growth or market shares as is required after an analysis of their comparative positions in the Indian automotive market.

ANALYSIS METHODOLOGY

The basis of study was primarily the secondary data. For obtaining primary data, surveys were conducted, both online and written questionnaires.

Segmentation was done on the basis of gender and age groups. The <https://assignbuster.com/analysing-consumer-preferences-in-small-car-segment-marketing-essay/>

products of the competitors were decided on the basis of market price. All cars in the same price band were considered as the competitors.

For the purpose of study of the small car market, the sample size of 94 was taken. The sample included both Maruti and non-Maruti owners. The objective of this study was to identify the brands in small car industry in India and where does Maruti A-Star stand with respect to different parameters. Maruti A-Star was compared with select brands that are top selling cars in India.

The following cars were compared to with A-Star:

Maruti Ritz

Chevrolet Spark

Hyundai i10

Tata Indica

The division was based on the basis of price band of these cars in small car segment.

The parameters on which the comparison was made were:-

Performance

Safety

Appearance

Comfort

Value for money

Features

Quality and Availability of Service

Resale Value

Some figures about the survey:-

Sample Size = 94

Methodology = Online and Face-to-Face Interviews

Target Group (based on the age groups)

21-25 years

26-35 years

36 years and above

The survey was taken by 62 males and 32 females.

Male 62 66%

Female 32 34%

The Survey was taken by varied age groups comprising of about 84% as Indian youth.

21-25 79 84%

26-35 10 11%

36 above 5 5%

From the sample, 3. 19% of the population already had A-Star with them.

DATA ANALYSIS

The total market share of Indian car manufacturers according to the survey is :

Maruti Suzuki holds a 46. 6% share in small car segment and Hyundai comes close second with 30. 04%. According to the latest reports, Maruti has declared that it will try and recover its lost market share and regain its share to over 50%. The remaining includes small cars from TATA, Chevrolet, Ford, Honda etc.

The total number of people who would consider A-Star as a buying option is about 34%, which is significantly less than other cars of Maruti.

Considering the choice of cars among consumers on the basis of different parameters, the following results were drawn :-

Performance :-

Maruti A-Star

7

7%

Maruti Ritz

25

27%

Chevrolet Spark

12

13%

Hyundai i10

43

46%

Tata Indica

7

7%

On the basis of performance, the consumers consider Hyundai i10 as the best in the small car segment with less than one-fourth consumers considering Maruti Ritz in performance. A-Star is way behind in terms of performance.

Safety :-

Maruti A-Star 7 7%

Maruti Ritz 25 27%

Chevrolet Spark 12 13%

Hyundai i10 43 46%

Tata Indica 7 7%

Maruti A-Star

6

6%

Maruti Ritz

19

20%

Chevrolet Spark

12

13%

Hyundai i10

38

40%

Tata Indica

19

20%

In terms of Safety, Hyundai i10 scores again with 40% of the population giving marks to i10, all the other competitors are way behind with A-Star being the lowest in terms of safety. One of the reasons for its safety concerns would be the latest step by Maruti to recall one lakh A-Star's to avoid fuel leakage problem.

Appearance

Maruti A-Star

8

9%

Maruti Ritz

23

24%

Chevrolet Spark

23

24%

Hyundai i 10

40

43%

Tata Indica

0

0%

In terms of looks and style quotient, Hyundai i10 scores above the rest.

Almost two times the population thinks i10 to be better in appearance than the Maruti. Only 9% of the population thinks A-Star to be sporty, whereas none consider Indica as good on looks.

Comfort

Maruti A-Star

7

7%

Maruti Ritz

23

24%

Chevrolet Spark

13

14%

Hyundai i10

41

44%

Tata Indica

10

11%

Comfort defines spaciousness, seating, legroom, head space, driving comfort etc. Here again i10 scores way high than rest of the lot. A-Star scoring the lowest with only 7% considering it to be comfortable.

The reason for such low rating could be:-

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Indian families buy car for the complete family not for a single person

Considering it as a small car Indian families do not find it useful for long distance travelling.

Value for Money

Maruti A-Star

18

19%

Maruti Ritz

21

22%

Chevrolet Spark

12

13%

Hyundai i10

36

38%

Tata Indica

7

7%

Maruti cars are known for value for money. This is the reason a total of Maruti manufactured cars have more value for money for the customers than any other manufacturer. Hyundai i10 leads the market with 38% share in terms of value for money and A-Star scores a significant 19%.

Features

Maruti A-Star

8

9%

Maruti Ritz

29

31%

Chevrolet Spark

11

12%

Hyundai i10

44

47%

Tata Indica

2

2%

Maruti cars sometimes compromise on interiors, accessories and features provided to deliver a value for money product for the masses. This is the reason why Maruti cars score less in terms of features than other brands. Hyundai leads in this parameter by almost 50%.

Quality and availability of Service

Maruti A-Star

16

17%

Maruti Ritz

35

37%

Chevrolet Spark

6

6%

Hyundai i10

30

32%

Tata Indica

7

7%

What differentiates Maruti as a brand from any other manufacturer, apart from value for money is, its Service. It is known in every part of India as one of the best after sales service providers. Here Maruti cars scores above other automobile manufacturers by a large percentage. Hyundai having a larger customer base than most manufacturers comes second.

Resale Value

Maruti A-Star

25

27%

Maruti Ritz

25

27%

Chevrolet Spark

5

5%

Hyundai i10

28

30%

Tata Indica

11

12%

Today's youth wants to change cars quickly because of the increase in number of market offerings by the companies. Everyone wants a new and feature rich product and wants to sell the old one at a good price. The True value system was started by Maruti pioneers in selling second hand cars at a good price. Chevrolet Spark has the lowest resale value in this case.

Following inferences can be drawn from this:-

Resale value of Maruti, especially A-Star is far better than any manufacturer

The customer retention strategy for A-Star is not beneficial for Maruti

FINDINGS

The following could be inferred from the survey:-

Maruti Suzuki as a company has the highest share in the automobile market in India, but if we consider the products individually, then we find that there are many other products which score higher than those of Maruti Suzuki.

Hyundai i10 is the leader in the small car segment, followed by Maruti Ritz, WagonR and other Maruti cars. A-Star ranks way below in the list.

In terms of performance, safety, appearance, comfort and features, Hyundai i10 has a much higher percentage of positive responses than any other brand car including Maruti.

When we consider the quality and availability of service, value for money and the resale value of cars Maruti cars pioneer in its class.

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A total of 25. 53% of Males would consider buying A-star where as only 8. 51% of females would prefer buying it.

As for the age groups, 27. 65% of the Indian youth would consider it as an option when buying a car and 3. 19% each of the age groups 26-35 years and 36 and above would include it in their choice sets.

LIMITATIONS

The consumer survey was restricted to the features of the car that the customers can identify with and not the technical aspects of the automobiles. This report does not take into consideration the technical features and only the aesthetics, value and quality of service of the car.

The survey was also subjective and depended on the perception of the respondent.

CONCLUSION

The survey conducted for among various players in the small car segment automobile industry led to the conclusion that consumers do not usually go for feature rich car. Most often the companies fail to communicate those features to the audience. Like in case of Maruti Suzuki A-Star which was one of top feature rich product but not in the minds of consumers, Consumers did not take A-Star to the level that was expected by the company when they introduced it in the market in the 9th Auto Expo.

Common pattern observed in the positioning of small cars :

They are often not marketed as a family car. Its prime focus is youth. As per the consumer analysis of Indian automobile sector, it shows the Indian buying behaviour is influenced largely by the family. The first preference of an Indian family is to buy a car for the whole family.

Pricing has been a big concern for the small cars. The clutter present in this segment makes it extremely difficult to price it according to the competitor which might be providing better performance, style and comfort at the same price.

Interior was one of the parameters on which different brands were surveyed. A-Star was rated the lowest in this parameter. With the competitors providing better interiors at the same price band, Maruti Suzuki, the leading brand in this segment was seen lagging to other players.

It has been observed that Indians, apart from the interiors, prefer to buy a car with a large boot space and a big leg room. This is also seen as a big reason why small cars are not considered for long distance travelling.

Cars made with focus on Indian conditions were seen more popular than other brands. Maruti Suzuki A-Star was primarily introduced as specifically for Indian customers' car. It was later re-modelled to suit the European conditions and was thereafter considered only as an export car. This led to the decline in its sales in the Indian market.