Czech University of Life Sciences Prague

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Master's Thesis

Analysis of Consumer Behaviour on Small Car Purchasing

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Summary

This research analysed consumers behaviour in the small car market. Convenience sampling was used to collect data from 50 public and 54 private sector workers, from Kerala State of India. Descriptive statistics, Chi-squared test, Friedman's and Kendal's rank test and Logit were used to analyse the specific consumers' socio-economic profile, source of marketing information, brand choices and the factors influencing their brand choices. The results show that consumers income level and gender influence their brand choices. Moreover, though consumers preferred Volkswagen and Skoda, financial and family requirements pushed them to buy Maruti, Toyota and Hyundai. Again, brand name, safety and price, are the major considered factors whilst spare-parts availability, appearance and maintenance cost are the least considered factors when selecting a brand. Additionally, consumers' propensity to own a car is positively affected by old age, being a man, more years of education, large household size and level of satisfaction whereas upfront payments reduces their chances of owning one. Marketers should design appropriate strategies to rob-in the neglected section of consumers (e.g. women) whilst manufacturing should target safety and comfortability issues since they satisfy better the needs of consumers.

Keywords: Consumer behaviour, Brand preference, Marketing, Small cars, Socio-economic factors, Logistic regression, Kerala State, India.

Introduction

The buyers' mind is a "Blackbox" that sellers seeks to open in order to be successful marketer (Kumar, 2014). An accurate prediction of the complex minds of consumers brings fortunes whereas the opposite may lead to the loss of millions (Dhanabalan *et al.*, 2018). Why people shop for products, buy and use them and dispose them thereof borders on some personal, situational, psychological, and social factors which modern businesses try to entice.

India's automobile market is highly competitive, with technology enhanced small car brands and modules, relative to the monopoly in the 80's. The economic and trade liberalisation policies of the government have surged up interest from global auto players since India provides them a low manufacturing base and a ready market. The Indian consumer therefore has alternative choices of small cars in different shapes and style amid their arising disposable incomes and mobility (Anandh and Sundar, 2014). Although sales volumes for bigger cars remains high, the emergence of affordable mini cars, amid the economic boom, is changing consumers' thought to easily change for new modules to suit their changing lifestyle. Manufacturers have become responsive to the dynamic behaviour of consumers by consistently introducing innovative and value-added services to entice buyers (Meroni and Sangiorgi, 2014).

On the account of the rising demand for small cars, amid the diminutive literature on the subject in India, this study attempts to analyse the reasons behind consumers behaviour within the competitive Indian small car market using public and private employees in Kerala State as a case. The study at the end will inform both manufacturers and marketers on how to design appropriate small cars modules and marketing and sales strategies to suit consumers' expectations.

Aims and Methodology

Objectives

To outline the socio-economic profile of government and private sector employees in the Karela State who either own or do not own a small car,

To determine customers' major sources of information for choosing a brand

To identify customers' brand preference of small cars in the study area,

To analyse the main factors influencing consumers brand selection,

To determine the socio-economic factors influencing consumers propensity to own a small car in Kerala State.

Sampling and Data Collection Techniques

The target population for the study were all government and private sector employees in the Karela State who either own or do not own a small car. Convenience sampling technique was used to select 104 respondents, 50 public and 54 private sector workers, due to the difficulty in determining the total target population prior to the survey. Primary data were collected with a semi-structured questionnaire via an online application, *SurveyMonkey*. In the questionnaire were questions related to the prior and post purchasing information, perception, experience, and knowledge as well as respondents demographic characteristics. Secondary data accessed online were also used for the literature review.

Analytical Methods

Data were first coded in excel and analysed with STATA and SPSS. The socio-economic profile of respondents' and the main marketing information sources for choosing a brand, first and second objectives, were analysed with descriptive statistics and chi-square test and the results were presented in tables and charts. Respondents' brand preferences and the factors affecting consumers' brand selection, third and fourth objectives, were analysed by Freeman's Rank test and Kendal's Coefficient of Concordance and the results were tabulated. Logistics Regression was also used to examine the fourth objective – socio-economic factors influencing consumers' propensity to own a car. Below is a detailed description of the analytical methods used in the study.

Logistic Regression

$$y = a_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4, \ldots \ldots, \beta_9 X_9 + \varepsilon$$

Where y is the dependent variable (car ownership – 1 = own a small car; 0 = otherwise) a_0 is the intercept, $\beta_1 - \beta_i$ are the parameter estimates, $X_1 - X_i$ are the explanatory variables {age, gender (1 = male; 0 = female), occupational sector (1 = private; 0 = public), years of education, family income (Rupees), household size, satisfaction level (1 = satisfied; 0 = unsatisfied), payment mode (1 = instant payment; 0 = financing)} and ε is the error term.

Results

Table 1: Ranks of factors influencing brand selection and respondents' brand preference

Variable	Mean Rank	Rank	Variable	Mean Rank	Rank
Maruti	5.18	4th	Driving and seating comfort	4.47	4th

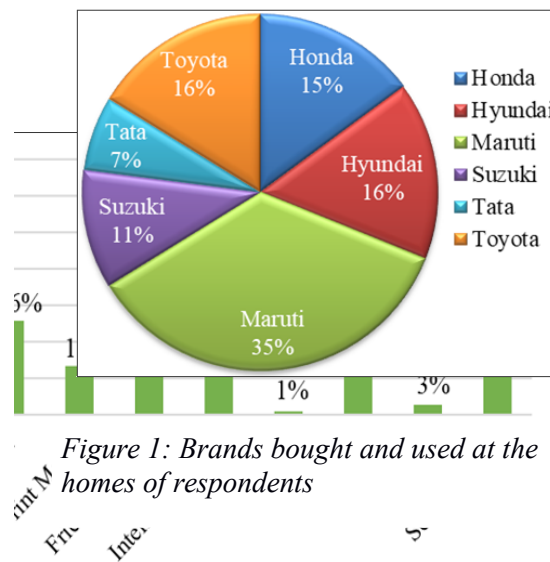| Variables	Mean Marginal Effects	Std. Err.	P>t
Age	0.014	0.004	0.001
Gender	0.240	0.072	0.001
occupational sector	0.005	0.053	0.930
Education	0.059	0.015	0.000
Income	9E-08	8E-08	2E-01
household size	0.020	0.008	0.013
satisfaction	0.304	0.079	0.000
payment mode	-0.112	0.056	0.049
Number obs.	104		
Prob > F	0.000		
R-squared	0.757		
Adj. R-squared	0.737		

Figure 1: Brands bought and used at the homes of respondents

Figure 2: Major source of information that influence consumers choice of brand

respondents were male whereas 45% where female. Again, only 13% of the sampled car owners were female whereas 87% were male. This result is not surprising as it classic of how resources are unequally distributed in developing economies like India. Again, most men prefer Maruti, Toyota and Hyundai whereas women prefer Suzuki. These findings conform with Mathur et al. (2018). Nonetheless, average income respondents used Maruti and Hyundai relative to Honda, Suzuki, Tata and Toyota whereas higher income consumers prefers brands like Toyota. Moreover, as an Indian made car, Maruti is affordable relative to foreign brands Toyota and the rest, hence its usage by the average income families. Albeit, consumers' income level, occupation and education, except gender, were statistically not significant determinant of their brand preference, conforming with Mathur *et al.* (2018).

Nonetheless information from friends/family, personal search, internet, television adverts are consumers' major source of information whereas print media, brochures, and radio adverts are their least source of information in choosing a brand. Although consumers ranked Volkswagen and Skoda as their most preferred brands, financial and family requirements pushes them to buy more of Maruti, Hyundai and Toyota. Furthermore, consumers are highly enticed by brand name, safety, price, driving and seating comfort and fuel efficiency when selecting a brand whereas spare-parts availability, appearance and maintenance cost are the least considered factors. Additionally, the aged, men, consumers with large household size, more years of education as well as high utility level consumers are more likely to buy and own a car whereas upfront/cash payment reduces consumers propensity to own a car. Nonetheless, the occupational sector (public and private) and the income level of consumers are not significant socio-economic determinants of their propensity to own a car.

Companies therefore needs to identify their small car's utility/satisfaction from the point of view of the consumer since they hold the power in today's marketing. Sales adverts should be more on televisions and internet since that is the main information platforms for consumers. Nonetheless, appropriate financing arrangements should be designed by car companies and financial institutions, for a stress-free purchase of cars by the average income earner. These can improve their sales and improve the profitability and competitiveness in the Indian automobile industry.

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