



Consumer Attitudes Towards Cars in India: Some Realities

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KEYWORDS:

Introduction

The car industry in India is chosen for studying consumer perception of global brands vs. local brands for the simple reason being the strong growth of the automobile sector in India. The car segment is specifically chosen as it is highly competitive with well established and flourishing global and local brands.

Indian automobile industry – an Overview

India is emerging as one of the most attractive automotive markets in the world, and is poised to become a key sourcing base for auto components. The Indian automotive sector has a presence across all vehicle segments and key components. In terms of volume, two wheelers dominate the sector, with nearly 80 per cent share, followed by passenger vehicles with 13 per cent. Passenger vehicles consist of passenger cars and utility vehicles. The industry had few players and was protected from global competition till the 1990s. After government lifted licensing in 1993, 17 new ventures have come up. At present, there are 12 manufacturers of passenger cars, 5 manufacturers of multi utility vehicles (MUVs), 9 manufacturers of commercial vehicles, 12 of two wheelers and 4 of three wheelers, besides 5 manufacturers of engines. With the arrival of global players, the sector has become highly competitive (Automotive, 2006).

The growth curve of Indian automobile industry has been on an upswing for the past few years. It is the 4th largest passenger vehicle market in Asia and has become the fastest growing car market in the world in 2004, with a growth rate of 20 per cent. Continuing the upswing, the sector posted an impressive 8.9 per cent growth in 2005-06, says the Economic Survey 2005-06. The latest announcement by the Government to cut excise duty on small cars will soon see India emerging as the world's largest manufacturing hub for small or compact cars (IBEF, 2006).

Indian automobile companies are moving aggressively into foreign markets. As a good example, Tata Motors Ltd., which is one of the largest private sector companies, commenced its distribution of Fiat cars across India as part of the new Tata-Fiat dealer network, is also looking at tapping overseas markets through the partnership. The company is gearing up to re-launch its best selling passenger car, Indica, in the United Kingdom under its own brand. Indica had made its debut on the British roads about two years ago as City Rover under Tata Motors' tie-up with the Birmingham-based MG Rover (IBEF, 2006). With few such movements happening tremendously, it wouldn't be too long for India to have its brands on the international roads.

Apart from the automobile brands moving aggressively into the foreign markets, there are huge foreign brands rolling on the roads of India. The year 2006 will see the entry of many high-end brands into the country. The Indian automobile market will see at least 30 new launches, spanning everything from affordable hatchbacks to mid-size models to super luxury high-end cars and Sports Utility Vehicles (SUVs) (IBEF, 2006).

Thus the Indian automobile industry has been performing well both in the domestic and the international markets.

According to IBEF (India Brand Equity Foundation), India has several competitive advantages in the automobile sector and they can be explained as following; India has a growing workforce that is English-

speaking, highly skilled and trained in designing and machining skills required by the automotive and engineering industries. Many Indian and global players are leveraging this advantage by increasingly outsourcing activities like design and R&D to their Indian arms.

India offers a huge growth opportunity for the automobile sector – the domestic market is large and has the potential to grow further in the future due to positive demographic trends and the current low penetration levels. India has nearly 23 percent of the global population and is one of the most attractive consumer markets in the world today. Income levels across population segments have been growing in India. According to National Council of Applied Economic Research (NCAER) data, the consuming class, with an annual income of US\$ 980 or above, is growing and is expected to constitute over 80 per cent of the population by 2009-10 (IBEF, 2006).

In addition, a large proportion of the Indian population is relatively young - in the age group of 20-59 years. This is expected to further boost the automotive domestic market as a younger population has a higher consumption index. The rise in income levels of the Indians and the emergence of the consuming class that has higher propensity to spend offers great opportunities for growth to companies across various sectors. Furthermore, Consumers in India are now more informed, sophisticated and demanding. Urban consumers have been especially exposed to western lifestyles through overseas travel. For example, more than 5 million Indians traveled overseas last year and this number is expected to increase by 15 per cent to 20 per cent per annum. An increase in the number of working women and the prevalence of nuclear double-income families, especially in urban areas, are other trends shaping lifestyles (IBEF, 2006).

According to IBEF, large infrastructure development projects underway in India combined with favorable government policies will also drive automotive growth in the next few years. Easy availability of finance and moderate cost of financing facilitated by double income families will also increase consumption.

Advent of cars in India

The advent of cars in India dates back to 1898 when the first motor-car rode down India's roads. From then till the First World War, about 4,000 cars were directly imported to India from foreign manufacturers. During 1948, the first car was manufactured in India. In 1993, with the winds of liberalization sweeping the Indian car market, many multinationals like Daewoo, Peugeot, General Motors, Mercedes-Benz and Fiat came into the Indian car market. Since the 80s, the Indian car industry has seen a major resurgence with the opening up of Indian shores to foreign manufacturers and collaborators. The 90s became the melting point for the car industry in India. The consumer being the king, was constantly wooed by both the Indian and foreign manufacturers. Though sales had taken a dip in the first few months of 1999, it is back to boom time. High-end models are being launched rapidly and are flourishing.

As already said, Indian automobile industry is highly competitive with a large number of players in each industry segment. Most of the global majors are present in the passenger vehicle and two wheeler segments. The key players in passenger vehicles segment in India are Tata Motors, Maruti Udyog, Honda Motors, Hyundai Motors, Toyota, Skoda, Daimler

Chrysler, and Hindustan Motors. Mercedes, BMW, Porsche, Audi, Bentley and Rolls Royce are already here (IBEF, 2006). Brief descriptions of both local and global car brands in India are presented below to enhance the comprehension of the study. Local car brands in India are initially described before pursuing to global car brands.

Local Car Brands in India

The local car brands found in India are;

Maruti Udyog Limited is the premier car company in India. Maruti Udyog Limited (MUL) was established in Feb 1981. The company entered into collaboration with Suzuki Motor Corporation of Japan to manufacture cars. Maruti is the highest volume car manufacturer in Asia, outside Japan and Korea. Despite there being 11 companies now in the passenger car market in India, Maruti holds about 60% of the total market share. Maruti Udyog Limited has many unique Service advantages for the customers. It has bagged the First Position in JD Power Customer Satisfaction Index for the consecutive two years. The company has also ranked highest in the India Sales Satisfaction Study. The models of Maruti Udyog Limited cars are Maruti 800, Maruti Alto, Maruti Zen, Maruti Zen Classic, Maruti Esteem, Maruti Gypsy, Omni, Wagon R, Versa, Baleno, Swift and Grand Vitara.

Hindustan Motors Limited (HML) is India's renowned automobile manufacturing company. In 1942 this company was introduced in India by Mr. B.M. Birla of Birla family (India's largest business groups). Since then, it has become a vast company, manufacturing cars like Ambassador, Contessa, and in collaboration with Mitsubishi of Japan now manufactures the new Mitsubishi Lancer.

Tata Motors Limited is India's largest automobile company, with large revenues. Its name comes first in the category of commercial vehicles and the second largest in the passenger vehicles, mid size car and utility vehicle segments. The company is the world's fifth largest medium and heavy commercial vehicle manufacturer. Over 3.5 million Tata vehicles are moving on Indian roads, since 1954. The models of the company are Tata Indigo, Tata Indica, Tata Sumo, Tata Safari and Tata Indigo Marina.

Global Car Brands in India

Apart from local car brands, the global car brands present in India are; Hyundai Motor India Limited (HMIL) was established in 1996 and is a wholly owned subsidiary of South Korean multi national, Hyundai Motor Company. HMIL is the fastest growing and the second largest car manufacturer in India and presently selling 30 variants of passenger cars in six segments. The Company has set up more than 70 dealer workshops that are equipped with the latest technology, machinery, and international quality press, body and paint shops, across the country, thereby providing a one-stop shop for a Hyundai customer. Hyundai also has a fleet of 78 emergency road service cars that can provide emergency service to all its customers anytime, anywhere. The models of Hyundai are Santro, Getz, Accent, Elantra, Sonata, Tucson, Terracan. The awaited models of Hyundai Motors are Verna, Getz next generation and Santa Fe

Honda SIEL Cars India Ltd., (HSCI) was set up in December 1995 as a joint venture between Honda Motor Co. Ltd., Japan and SIEL Limited to manufacture passenger cars in India. The company has brought about three models in India - Honda City, Honda Accord, and Honda CR-V. Its first model was launched in 1997. Very recently Honda SIEL Cars has launched one more market friendly model, Honda Civic on 9th July 2006 in India

Toyota Motor Corporation is the premium vehicle manufacturer in the world. Based in Japan, the company manufactured its first vehicle in 1936. Toyota exported its first Japanese-made passenger car to the United States in 1957. Today Toyota has global presence and Toyota

branded vehicles rank among the world's highest quality cars. In India Toyota Motor Corporation has entered into a joint venture with Kirloskar Group and the new entity is called Toyota Kirloskar Motor Private Limited (TKM). The company aims to play a major role in the development of Indian automotive industry

Daewoo Motors is a South Korean company. General Motors took decision to take up Daewoo Motors to form GM Daewoo. This brand entered the Indian market during the year 2002 with its models such as Daewoo Matiz, Daewoo Cielo, and Daewoo Nexia

Ford Motor Company is the world's second largest automaker. The company's world headquarters is in Dearborn, Michigan. Its automotive brands include Aston Martin, Ford, Jaguar, Land Rover, Lincoln, Mazda, Mercury and Volvo. The brands on Indian roads include Ford Icon, Ford Mondeo, Ford Fiesta, Ford Fusion, Ford Escort and Ford Endeavor. The company is also waiting for Ford Focus to be launched in India shortly. Fiat, a make from Italy stepped in India during the year 1905 and later on joined hands with Premium Automobiles which was a private company in India.

General Motors Corporation was founded in 1908 and is the world's largest vehicle manufacturer. General Motors enlisted its name for making outstanding future performance in the field of automobile industry in India from the year 1994. The models of General Motors in India are Chevrolet Aveo, Chevrolet Optra and Chevrolet Tavera, Opel Astra and Opel Corsa.

German based company Audi has spreaded its wings of success in the field of automobile industry for its technical expertise and creativity. Audi has already started leaving its footprint in India from July 2004. Audi has launched its bigger models A6 and A8 in the Indian market.

BMW (Bayerische Motoren Werke) was founded on March 7, 1916 and is now one of the major automobile manufacturers in the international market. Its major brands include BMW, MINI and Rolls-Royce Motor Cars. Although its cars are on Indian roads, it has been announced that 2007 will be the year when BMW will start manufacturing and selling cars in India.

Czech Republic based Skoda Auto Company is one of the popular brand name in the field of automobile industry. It is a part of the international Volkswagen Group. Skoda Auto introduced itself in Indian market in November 2001. The models of Skoda cars on Indian roads are Skoda Octavia, Skoda Superb and Skoda Laura. The awaited models are Skoda Fabia and Roomster.

Daimler Chrysler entered the Indian market and set up Mercedes-Benz India Ltd. during 1994 with the aim to serve the customers in India with the latest products and technological excellence from the Mercedes-Benz. Rolls-Royce Motor Cars was introduced by Frederick Henry Royce and Charles Stewart Rolls on May 4, 1904. Rolls-Royce model, Phantom is already in the roads of India.

Conclusion:

Porsche was established by Ferdinand Porsche. In 1931, Ferdinand Porsche founded the Porsche Engineering Office in Stuttgart. Porsche started leaving its footprint in the market of luxury and utility vehicle in India from 2003

Thus, these descriptions of the global and local car brands would enhance the reading in a better manner. This also depicts India's richness in automobiles and particularly in cars.