



## Empirical Analysis of Factors Influencing The Purchasing of Luxury Cars in Pune City

### KEYWORDS

Factors Influencing, Purchasing, Luxury Cars, Factor Analysis.

**Nilesh Kate**

Ph.D Scholar, Sinhgad Institute of Management and Computer Application (SIMCA)

**Dr. Arun Handa**

Ph.D Guide, RTMNU, Nagpur

**ABSTRACT** *The car industry is one of the largest in the world, employing many people and playing a major role in many economies. India's luxury car market has grown despite the slowdown in the Indian automobile industry and a difficult economic environment. A car is a complex product with many salient attributes, which consumers may use in product evaluations and subsequent brand preference formation. The present Research work is an effort to study the factors influencing for purchasing luxury car among Luxury cars owners in Pune. The data collected has been systematically analyzed by using descriptive statistics and Factor analysis. Standard of living, lucrative design, service facility and image pursuer are the major factors considered by customers while purchasing luxury cars.*

### INTRODUCTION:

The luxury car market in India has grown much faster than the mass-market segment and the trend is expected to continue as young, educated Indians enter this market with high levels of disposable income. **"India is the world's youngest consumer of luxury cars"** said Joe King of Audi in an interview with Times of India. The average age of a luxury car owner in India is 35 compared to a global average of 43-45 years.

Historically, luxury car buyers used to come from wealthy cities such as Mumbai and Delhi. This is changing as car makers target other cities with untapped potential. "Along with the metropolitan centres, we foresee growth potential among the young achievers, predominantly from tier 1 and tier 2 cities, which have a dynamic attitude and are technology savvy," Philipp Von Sahr, president, BMW Group India said in an interview with ET. The high demand for luxury amongst India's well-heeled, highly educated classes is paralleled by equally high demand from India's aspirational young middle class.

The Indian luxury car market is dominated by Audi, 2015's market leader with sales of 11,292 units; followed by Mercedes with 11,213 units and BMW which sold just over 7,000 units. They account for 95% of India's luxury car market and are now focusing on the 'millennial generation' looking for compact saloons as a smaller, less expensive alternative to premium luxury cars. Mercedes expects its compact cars sales to position the company as market leader in the Indian luxury automaker industry.

### REVIEW OF LITERATURE:

**Vikram Shende (2014)**, studied consumer buying behavior towards passenger car segment in India. The objective of this study was the identification of factors influencing customer's preference for particular segment of cars such as small & hatch back segment, Sedan class segment, SUV & MUV Segment and Luxury Car segment. Proper understanding of consumer buying behavior will help the marketer to succeed in the market. Study also attempts to consolidate findings & suggestions to overcome present scenario of stagnancy in sales and cultivate future demand for automobile car market.

**Ramita Verma, Shubhkamana Rathore (2013)**, studied the luxury car segment of India. Study revealed that the luxury car market is growing at a steady speed of 25% per annum with more numbers of luxury car entering Indian car Market. The purpose of the study was PEST analysis of Indian Luxury Car Market and the future of the luxury car market in India. Demographic factor like Consumers trends, Income growth, spending power, Customer requirements such as status symbol, indulgence, technological factors, Socio cultural factors such as Lifestyle and preferences of people which impact their choices of types of automobiles. Social norms that impact the decision to own and use automobile versus other means of transport, Political-government taxation, business sentiments, import-export policies, government stability.

**According to report JD Power, (2012)**, Society of Indian Automotive conducted a study to find out the factors responsible for the purchase of different segment cars. Three segments were classified namely Small, Middle and Luxury. The evaluation criteria were Good reputation/ reliability of the brand, Vehicle Quality and Design Attractiveness. There the customer's responses were recorded as percentages. Rising incomes and a young population eager to flaunt its wealth are combining to fuel demand for luxury cars in India, but sales still lag its emerging market peers China and Russia by a wide margin.

**As per Schiffman and Kanuk, (2004:19)** the process stage of the model focuses on how consumers make decisions. The internal factors like motivation, perception, attitude, learning etc show how the external inputs from the input stage influence the consumer's recognition of a need, pre-purchase, search for information and evaluation of alternatives. The experience gained through this evaluation of alternatives, affects the consumer's existing psychological attributes. The output stage consists of just the purchase behavior and the post-purchase decision evaluation

**Foxall & Goldsmith, (1994: 25)**, The principal aims of these models are to predict future behavior, based on the measurement of relevant variables, and the explanation of this behavior in terms of theoretically relevant constructs. The consumer buying process includes different types of decision making which ranges from routine to limited to

extensive decision-making. Consumers are most likely to use extensive decision-making when the product is important, the price is high, the product is complex or unfamiliar, and there are many brands to compare.

**OBJECTIVES OF THE STUDY:**

To identify and analyse major attributes or factors considered while purchasing luxury cars using factor analysis.

**RESEARCH METHODOLOGY:**

**RESEARCH DESIGN-** Descriptive research design was used. Non-probability convenience sampling method was used to select luxury cars owners from the Pune city. Structured questionnaire was used to collect the data from respondents. Exploratory factor analysis was conducted on seventeen statements to explore the factors of luxury car that influenced customer to purchase a luxury car. Total of 60 respondents were taken in the study. Out of total of 17 statements, two had been excluded from the analysis due to cross loading. Data Adequacy Test for Factor Analysis: After the reliability test, the next step tests were carried out on the data so collected and following tests are considered:

**DATA ANALYSIS AND INTERPRETATION:**

This section presents and validates comprehensive model to explain variables that motivated or influenced customers while purchasing luxury car. The techniques used to analyse the particular problem are Reliability Test, Factor Analysis.

**RELIABILITY TEST:**

Before applying any test or technique, it is very important to test the reliability of the data. There are seventeen statements that are framed to analyse the present problem. Cronbach’s alpha had been used to test the reliability using SPSS 21 version. Value of alpha came out to be 0.765 which is a pretty good figure.

**Factor Analysis:**

**Kaiser-Meyer Olkin Measure of Sampling Adequacy (MSA):** Measure of sampling adequacy for each variable was observed from the diagonal elements of anti-image correlation matrix. Table 1. low partial correlations, indicating existence of true factors in the data. The measures can be interpreted as 0.90 or above (above marvellous), 0.8 or above (meritorious), 0.7 or above (above middling), 0.6 or above (mediocre), 0.5 or above (miserable), 0.5 or below (unacceptable) (Hair et al. 2011). Overall measure of sampling adequacy was computed and found to be 0.765 which is a good figure (Hair et al. 2011).

**Bartlett’s Test of Sphericity:** It provides the statistical significance that the correlation matrix have significant correlations among variables. Increasing the sample size causes the Bartlett’s test to become more sensitive in detecting correlations among the variables (Hair et al. 2011). Hence all these standards indicate that data is appropriate for factor analysis.

**Table 1: KMO and Bartlett’s Test**

KMO and Bartlett’s Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.765
Bartlett’s Test of Sphericity	Approx. Chi-Square	2874.634
	df	136
	Sig.	0.000

**Table 2: Rotated Component Matrix**

Variables	Component			
	Factor 1	Factor 2	Factor 3	Factor 4
Brand Image				0.743
Design				0.512
Safety	0.720			
Comfort	0.570			
Speed	0.513			
Performance	0.763			
Technology	0.728			
Colour				0.715
Interior Size			0.770	
Equipments& Interior			0.651	
Exterior Design			0.738	
Interior Design			0.659	
Resale Value		0.560		
Finance Assistance/ Credit Facility		0.665		
Pre-sale Service		0.545		
Knowledge of sales Person		0.739		
Post Sale service		0.808		
Eigen Values		2.815	1.979	1.392
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization. <sup>a</sup>				

**NAMING OF FACTORS:**

**Table 3: Name of Dimensions/Factors**

Factor No	Name of Dimension/ Factor	Variables	Factor Loading
F1	<b>Standard of Living</b>	Safety	0.720
		Comfort	0.570
		Speed	0.513
		Performance Technology	0.763
			0.728
F2	<b>Lucrative Design</b>		0.770
		Interior Size	
		Equipments& Interior	0.651
		Exterior Design	
		Interior Design	0.738
F3	<b>Service Facility or Service Value seeker</b>		0.659
			0.560
		Resale Value	
		Finance Assistance/ Credit Facility	0.665
		Pre-sale Service	0.545
		Knowledge of sales Person	0.739
F4	<b>Image Pursuer</b>	Post Sale service	0.808
		Brand Image	0.743
		Design	0.512
		Colour	0.715

All the four factors have been assigned suitable names summarized in table 3.

**Explanation to the Table 3:**

**Factor 1- Standard of Living-** This is the most important factor that explained 21.014% of the variance. The variables included in this factor are “Safety (0.720)”, “Com-

fort (0.570)", "Speed (0.513)", "Performance (0.763)" and "Technology (0.728)". All these variables when combined can be written as standard of living. So, the most important factor that motivated a customer while purchasing a luxury car is the standard of living. People purchased luxury cars to raise their standard of living.

**Factor 2: Lucrative Designs-** The second most important factor due to which customers purchased luxury car is lucrative designs available from the company. This factor accounted for the variance of 16.560% of the variance. Variables that make up this factor are "Interior Size (0.770)", "Equipments and Interior (0.651)", Exterior Design (0.738) and "Interior Design (0.659)". So people are attracted towards lucrative designs that brands offer.

**Factor 3: Service Facility** - The third important factor accounts for 11.642 % of the variance. People tend to buy a new car when they really in need of it. So sometimes car becomes the necessity for the people. Variables included in this factor are "Resale Value (.560)", "Finance Assistance/ Credit Facility (.665)", "Pre-sale Service (.545)", "Knowledge of sales Person (.739)" and "Post Sale service (.559)". All factors reflect that customers considered service facility while purchasing luxury cars.

**Factor 4: Image Pursuer-** The fourth important factor accounts for 8.190 % of the variance. People consider image attributes while purchasing luxury cars. Variables included in this factor are "Brand Image (.743)", "Design (.512)", and "Colour (.715)". These factors reflect that customers considered image related attributes while making purchase decision of luxury cars.

## SUMMARY AND IMPLICATIONS

Result shows the major attributes or factors that customers considered while making purchase decision of luxury car brands. Factor analysis have been applied to the construct and four factors have been extracted namely Standard of Living, Lucrative design, Service facility and Image pursuer. The factors accounted for 57.406% of the variance. It can be said that people prefer "**standard of living**", "**lucrative design**", "**service facility**" and "**perceived image**" more than any other attributes. The results clearly showed that customers prefer to purchase car according to standard of living. They want features like safety, comfort, speed, performance and technology etc. Marketers have to come out with new and latest attributes that accounted for standard of living of customers. Lucrative design is also one of the main attributes so, marketer should try to target the customers on the basis of unique design features of Appearance of cars and Inner space should also be kept in mind. Service facility is also major factor considered by customers so that companies should try to come out with various kinds of services features such as financial assistance, credit facility, pre-sales service, knowledge of sales person, post sales service. Image Pursuer is also important attribute considered by customers so companies should focus on brand image, engine design and colours. Luxury car brands such as BMW, Audi, Mercedes Benz, Jaguar should focus on such attributes and try to reflect these attributes or factors in their promotional strategies as much possible.

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