



A Study on Consumer Behavior Towards Pre-Owned Cars in India"

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ABSTRACT

India, the competition between pre-owned cars and new cars has reached its peak. All these pre-owned cars are generally termed as "Certified Used Cars", as they are provided warranty and certified quality from the car dealers. Different car manufacturers have entered the pre-owned car business with different objectives, and they have different marketing strategies and priorities in entering into the pre-owned car business. The objectives of the study were to study the preference of customers towards organized and unorganized market during the purchase of pre-owned car, to explore the factors influencing the purchase behavior of customers towards the purchase of a pre-owned car and to understand the pre-owned car market in India.

The Research design was Descriptive research design. The primary data has been collected through semi-structured questionnaire from a sample of 20 unorganized pre-owned car dealers and 30 organized pre-owned car dealers of car makers, in Mysore. The sampling method was Random Method. The data has been analyzed using SPSS for statistical analysis and testing of hypothesis. Percentage method and T- Test has been used for analysis the data. The pre-owned car market may be transformed into a more organized market with the advent of Indian and global car makers and other major corporate houses of India.

KEYWORDS

Pre- Owned Cars, Car Market, Consumer Behaviour, Organized and Unorganized Market.

INTRODUCTION

The used car market has been in the Indian auto market for years, but due to risky and unorganized nature of buying used cars without any warranty, and due to lack of certification of used cars, the pre-owned car business has been unable to become a significant part of the auto industry. From the last four years, with major car manufacturers entering into the pre-owned car business in a big way. India, the competition between pre-owned cars and new cars has reached its peak. All these pre-owned cars are generally termed as "Certified Used Cars", as they are provided warranty and certified quality from the car dealers. Different car manufacturers have entered the pre-owned car business with different objectives, and they have different marketing strategies and priorities in entering into the pre-owned car business. Maruti Udyog Limited is the first car maker to enter into the pre-owned car business in a more organized way with their "Maruti True Value" brand of outlets. There are various reasons behind the entry of car makers into pre-owned car business like; attractive exchange offers, by exchanging used cars for a new car model. Resale value for an example, MUL's Wagon R, Alto and Swift are the top used car brands in India for their high resale value, which in turn leads to an increased demand of new car sales due to its brand value. Another reason is Customer Retention; a market leader can retain their loyal customers through an exchange program. Car manufacturers especially who are market leaders in a specific segment can win back their lost customers by exchanging new cars of their company brand for used cars of other competitor brands. Support of commercial Banks is another factor through which the dealers get attracted towards the pre-owned car sector, support and collaboration with commercial banks for used car business has also motivated car makers to enter into the used car market. Commercial banks are providing loans up to 60%-90% of the used car value. Competitive Strategy; it is another reason as a majority of the car makers are entering the pre-owned car market, so every car maker wants its presence for this strategic reason.

OBJECTIVES

The following are the objectives:

- To study the preference of customers towards organized

and unorganized market during the purchase of pre-owned car.

- To explore the factors influencing the purchase behavior of customers towards the purchase of a pre-owned car.
- To understand the pre-owned car market in India.

SCOPE OF THE STUDY

This study is an attempt to analyze the consumer buying behavior and preference towards the usage of used cars and the Consumer search things for their need satisfaction. Also evaluation of the used car markets organized and unorganized, how consumers react and respond towards used car markets. So the scope of this study is to cover the full view of the customer and their preference pattern and used car market

Review of Literature

A used car can be much cheaper than its new counterpart. The depreciation is lesser and car financing too can be obtained easily. A survey was conducted and it was revealed that the demand for the used car market in India per year is 1.4 million cars (Carazoo 2012).

India represents one of the world's largest car markets. Easy availability of finance, and rising income levels are encouraging the launch of new car models which have been leading to a stupendous growth of the industry for the past few years. Besides, the entry of various international players has also had a positive impact on the used car market. Thus, the demand for used cars is anticipated to continue to grow at a stupendous rate in the future. According to the latest study on the sector, the Indian used car industry possesses a significant potential, with overall market expected to grow at a CAGR of around 22% during 2011-2014 to reach 3.9 Million Units by 2014-end (RNCOS E-Services Private Limited 2011)

Owners of used cars have an informational advantage over potential buyers with respect to the quality of their vehicles. Owners of bad cars will try to sell them to unsuspecting buyers while owners of good cars will hold on to theirs. Consequently, the quality of traded automobiles should be sub-average (WinandEmons 2002). New car dealers (who sell both new and used cars) differ from used car dealers (who sell only used cars) in the propensity to sell trade-ins on the wholesale

market. Models of adverse selection suggest that the dealer type that sells a higher proportion of its trade-ins on the wholesale market will sell, on average, cars of higher quality and receive in return a higher price (David Genesove 1993). Economic studies have shown that the prices of used cars decline with age at a constant exponential rate (Susan Rose Ackerman 2007).

RESEARCH METHODOLOGY

Research Design: Descriptive research design

Primary Data

The primary data has been collected through semi-structured questionnaire from a sample of 20 unorganized pre-owned car dealers and 30 organized pre-owned car dealers of car makers, in Mysore.

Secondary Data

The secondary data has been collected from various auto magazines, journals, newspapers and online information related to the pre-owned car Market.

Sampling Size-50

Sampling Method – Random Method

Statistical Tool

The data has been analyzed using SPSS for statistical analysis and testing of hypothesis. Percentage method and T- Test has been used for analysis the data.

LIMITATIONS

- Following are the limitations of the study.
- Lack of Time was the most important limitation.
- Sample size was only 50.
- Study restricted to Mysore only.
- The Study restricted to pre-owned car market.
- DATA ANALYSIS AND INTERPRETATION

HYPOTHESIS

fulfill the objective of the study, following statistical hypothesis

was constructed and tested subsequently.

H01: Factors Not influencing perception of customers towards pre-owned cars.

H11: Factors influencing perception of customers towards pre-owned cars.

H02: Reasons are not influencing preference towards Un-organized market for the purchase of pre-owned cars.

H12: Reasons are influencing preference towards Un-organized market for the purchase of pre-owned cars.

H03: Reasons are not influencing preference towards organized market for the purchase of pre-owned cars.

H13: Reasons are influencing preference towards organized market for the purchase of pre-owned cars.

Overall Consumer perception while buying pre-owned car:

One-Sample t-test					
	N	Mean	Std. Deviation	t-value	Sig.
Driving skill	50	4.06	.767	9.773	.000
Desire	50	3.82	.873	6.639	.000
Budget	50	3.50	1.074	3.293	.002
Cheaper	50	3.32	1.332	1.699	.096
Resale Value	50	2.82	1.224	-1.040	.303
Company Image	50	2.76	1.349	-1.258	.214
Availability of Spare parts	50	2.88	1.043	-.814	.420

After sales services	50	2.84	1.131	-1.000	.322
Second Car	50	2.88	1.189	-.714	.479
Separate car	50	3.52	1.199	3.066	.004
Gift	50	2.48	1.266	-2.905	.005

From the above table following inferences were drawn:

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards upgrading driving skills while purchasing the used cars was significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards desire to own car while purchasing the used cars was significant at 5% levels.

Since $P = 0.002 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Budget constraint while purchasing the used cars was significant at 5% levels.

Since $P = 0.096 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Cheaper than new car while purchasing the used cars was not significant at 5% levels.

Since $P = 0.303 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Resale Value while purchasing the used cars was not significant at 5% levels.

Since $P = 0.214 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Company Image while purchasing the used cars was not significant at 5% levels.

Since $P = 0.420 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Availability of Spare Parts while purchasing the used cars was not significant at 5% levels.

Since $P = 0.322 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards After Sale Services while purchasing the used cars was not significant at 5% levels.

Since $P = 0.479 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Second Car while purchasing the used cars was not significant at 5% levels.

Since $P = 0.004 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Separate Car while purchasing the used cars was significant at 5% levels.

Since $P = 0.005 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Gift while purchasing the used cars was not significant at 5% levels.

For Un-organized Market:

One-Sample t-test					
	N	Mean	Std. Deviation	t-value	Sig.
Clear title	50	4.18	.748	11.162	.000
Mutual trust	50	3.74	.899	5.819	.000
Genuine Spare parts	50	3.24	.938	1.809	.077
Resale	50	2.56	1.280	-2.430	.019
Negotiation	50	3.24	1.364	1.244	.219

From the above table following inferences were drawn:

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Un-organized market is to have clear title while purchasing the used cars was significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Un-organized market is to have Mutual trust while purchasing the used cars was significant at 5% levels.

Since $P = 0.077 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Un-organized market is to have Genuine spare parts while purchasing the used cars was not significant at 5% levels.

Since $P = 0.019 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Un-organized market is to have Resale while purchasing the used cars was significant at 5% levels.

Since $P = 0.219 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Un-organized market is to have Negotiation while purchasing the used cars was not significant at 5% levels.

For Organized Market:

One-Sample t-test					
	N	Mean	Std. Deviation	t-value	Sig.
Clear title	50	4.24	.797	11.002	.000
Professional assistance	50	3.96	.947	7.170	.000
Easy financing	50	3.60	1.069	3.969	.000
Genuine Spare parts	50	3.08	1.175	.481	.632
After Sales service	50	2.54	1.216	-2.676	.010
Resale value	50	2.40	1.212	-3.500	.001
Certification	50	3.20	1.088	1.300	.200
fair price	50	3.64	.964	4.695	.000
Extension of Warranty	50	3.14	1.107	.894	.375
Free service	50	3.52	1.216	3.023	.004

From the above table following inferences were drawn:

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have clear title while purchasing the used cars was significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Professional Assistance while purchasing the used cars was significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Easy Financing while purchasing the used cars was significant at 5% levels.

Since $P = 0.632 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Genuine spare parts while purchasing the used cars was not significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have After sale services while purchasing the used cars was significant at 5% levels.

Since $P = 0.001 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Resale value while purchasing the used cars was significant at 5% levels.

Since $P = 0.200 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Certification while purchasing the used cars was not significant at 5% levels.

Since $P = 0.0 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Fair Price while purchasing the used cars was significant at 5% levels.

Since $P = 0.375 > 0.05$ test was not significant at 5% levels. i.e. the perception of respondents towards Organized market

is to have Extension of warranty while purchasing the used cars was not significant at 5% levels.

Since $P = 0.004 < 0.05$ test was significant at 5% levels. i.e. the perception of respondents towards Organized market is to have Free service while purchasing the used cars was significant at 5% levels.

FINDINGS:

Following results were listed from the analysis made above:

For Organized market:

The perception of respondents towards organized market is to have **clear title, Professional Assistance, Easy financing, after sale services, Fair Price and Free service** while purchasing the used cars was significant.

The perception of respondents towards organized market is to have genuine spare parts, Certification and Extension of warranty while purchasing the used cars was not significant.

For Un-Organized market:

The perception of respondents towards Un-organized market is to have **clear title, Mutual trust And Resale Value** while purchasing the used cars was significant.

The perception of respondents towards Un-organized market is to have genuine spare parts and Negotiation while purchasing the used cars was not significant.

Overall Consumer Perception while buying pre-owned car:

The perception of respondents towards upgrading **driving skills, desire to own car, Budget constraint and separate car** while purchasing the used cars was significant.

The perception of respondents towards Cheaper than new car, Resale value, Company image, Availability of spare parts, After sale services and Second car while purchasing the used cars was not significant.

SUGGESTIONS

Future the study pointed out that despite being backed by a strong network and brand reputation, approximately 54% of respondents recommend the un-organized market for the purchasing a pre-owned car because the price is negotiable. The organized market players should make efforts to reduce the price and bring the price in line with the competition posed by un-organized market. The organized players should create awareness about their quality certificate which would act as an advantage over the un-organized players.

Un-organized market participants should make efforts to build after-sales service network by collaborating with service provides and car repair workshop and by using relationship marketing techniques as they already have the buyers trust.

CONCLUSION

The pre-owned car market may be transformed into a more organized market with the advent of Indian and global car makers and other major corporate houses of India. Auto majors not only increase their market penetration through the pre-owned car business, but also make a profit out of this venture. Unorganized pre-owned car dealers are trying to match the service standards of organized used car dealers to become more professional in their marketing approach. The general consensus among the industry is that the pre-owned car segment may become almost double of the new car market in another five years as is the case in the developed countries.

SCOPE FOR FURTHER RESEARCH

The following are Scope for future research:

Future research can be explore on a particular brand pre-owned cars.

Research can be carried out only on un-organized market or organized market.

Future research can be carried in various part of India.

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