

## **CONSUMER BUYING BEHAVIOR IN AUTOMOBILE SECTOR AND HOW IT WILL GET IMPACT AFTER COVID-19**

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### **Abstract**

**The study focuses on the analysis of the impact of COVID-19 situation on the automobile industry worldwide. The study includes analyzing the responses of customers and their views on the current pandemic situation and its impact of the covid-19 situation on the automobile sector.**

*Keywords- Automobile, Covid-19, consumer behavior.*

### **1. Introduction**

The pandemic at COVID-19 clearly reminds us that the events in the Black Swan are true and will drastically change the direction of businesses and industries. The internationally interconnected automobile sector is particularly vulnerable and exposed in the context of the latest pandemic and is expected to have significant economic effects over the coming quarters. However, the supply chains for vehicles should change quickly as China shows, which is growing quicker than normal. Discussions with supply chain experts reveal that, owing to the extremely weak processing potential and ample unsold buffer stock inventory, most businesses have the capabilities to resolve the current crisis.

Although most businesses concentrate on supply issues automatically and immediately, others cannot see this as a market problem, in which consumers are impacted in ways which are still undetermined. When markets recover from COVID-19 politically and socially, it won't be business as normal. Customer trust would be seriously impacted by potential work reductions and cuts in wages, causing others to delay discretionary transactions such as purchasing a car. According to a WSJ article, consumer trust is broken globally, with many not even thinking about buying a vehicle right after the pandemic.

Although we see in China where all the primary players in the automobile value chain (from OEMs, financiers, government dealers) appear to operate intense financial opportunities – which lead customizes back in showrooms, it appears, mostly for rent substitution, buy cheaper versions of costly models or buy automobiles to avoid public transport (recent IPSOS polls)

### **Meeting customer needs**

One thing we assume is that post-COVID users would be different – behave differently and act differently. Customer behavior will begin to evolve over the coming years, and OEMs will have

to adapt to recognize and meet consumer needs. We are seeing four big changes, either modern or reinforcing current yet gradually evolving ones.

Values-driven vs Value search: Customers can find ease and guidance in marks of values to which they can return of significant quantities of predictability. Consumers in the post-COVID world will be more risk-averse. They gravitate to known brands which are safe purchases. Trailing OEMs can only combat this with a rich customer experience, highlighted by their personal touch and superior brand promise. Globally, manufacturers must understand the power and desire to concentrate on their brand standards, daily promotional campaigns and discount strategies. International car manufacturers would also become more and more necessary to invest in rendering their products meaningful to the local diasporas to resolve the national sensitivities. There is a significant differentiator for OEMs to rebound from this crisis in the run-up to restoring demand, as customers move from value-driven to value-driven.

Digital Connect vs. conventional selling: in the new standard, operators and dealers will be forced to increase the connection between customers increasingly through new-age digital offers such as virtual tours, negotiations about video calls and non-contact auto buying experiences, complete the delivery of a customer car and the keys delivered through a drone right at the door! Innovation-related digital-age approaches for critical consumer activities may be defined and pre-empted as boosters that connect the enterprise with its clients and emerging technologies. Influence-driven versus prosperity-driven: COVID-19 will undoubtedly leave a transformed industry behind. Throughout the current world, OEMs need to remain responsive to increasing market preferences when they quickly turn from "affluence-driven" to "influence-driven." Consumers are likely to seek healthier experience with a preference for their demands to be hyper personalized.

Apps relevant to safety such as hygienic air filters, co-riders, accessible in-car offices, anti-bacterial content etc. can improve market spreads. Most users have already become hyper-connected and digitally affected and continue to draw on their social network exposures. To satisfy current demands, OEMs would require radical interface improvements and pricing adjustments that are demonstrated by omni channel's outstanding consumer service and unique product solutions. OEMs ought to look forward and hold individual marketing strategies transparent and concentrate on creating brand activism. The aim would be to grow brand ambassadors and overwhelm word-of - mouth. The fast growth of supporters would be essential to successful new releases. As OEMs plan to react to the pandemic and rebound from this pandemic, activism would be the most effective resource for gaining consumer interest and for maintaining the longevity and remembrance of a product / service.

## **2. LITERATURE REVIEW**

Rarely, if ever, has the Indian passenger car (PV) market experienced a pandemic like the Covid-19. This has been affected during the BS4-to-BS6 switch — so it will not only start to slow down, but also can shift people's car-buying behaviors. Development ceased, the lockout at showrooms is zero and big activities are remotely canceled or executed. Indeed, before the lockout started, the Car Dealer Associations Federation noticed that by mid-March, declines in dealerships had dropped to 45 percent.

### **2.1 Purchase online**

Most OEMs also have a system for electronic vehicle procurement in operation. The effect of Covid-19 on customer behavior, says Vinay Raghunath, partner and chairman, Automotive Sector of EY India, should enable OEMs to focus on the evolving complexity of their relationship with customers and the position of the distributor network and their sales teams. "To select consumer segments will be critical success criteria for an integrated phygital (physical plus digital) platform with digitally enabled salespeople," he added. The position of dealerships, however, does not decrease. Rajeev Chaba, president & managing director of MG Motor India, says a vehicle that you like to see, handle, smell and drive while most people pick a vehicle before heading to a showroom. "To make a final decision, people will still go to showrooms."

## **2.2 Mobility Exchange**

KavanMukhtyar, Partner & Chief, Automotive, PwC India, says that consumers who previously preferred shared mobility should consider buying cars — used or fresh. The notion of social distancing will linger for a number of quarters, until it fades from the minds of customers, says Gaurav Vangaal, associate director of IHS Markit. "We may see a reduction in the usage of mutual mobility, but it depends on a specific user segment." Harish Bijoor, a company analyst and the creator of Harish Bijoor consulting, says ride-sharing services like Uber and Ola should bounce back when the uncertainty of the Covid-19 virus transmission fades. "Hard old clothes perish," he notes. Raghunath has an fascinating statistical observation: "Total passenger kilometers traveling on Indian roads can be commonly classified as subcategories related to in-city work kilometers, intra-city personal kilometers, intercity and mutual kilometers. While a new movement is encouraging a steady rise in 'connected kilometers,' it is important to see shifts in customer behavior in the coming months due to continuing commitment to social distance. It will have an effect on the usage of both subcategories and on the short and medium-run effects of PV OEMs' portfolio and contact policy."

## **2.3 Financial mood**

According to the CEO's snap poll "Lock-down effect of Covid-19 Pandemic" reported on the 3rd of April by the Confederation of Indian Industry, about 52 percent businesses expect job losses for each sector due to the effects of the Covid-19 outbreak and the resultant lock-down and/or wage reductions. In fact, CARE Ratings has reported that the cost of ownership of new PVs is projected to grow from 12 to 15 percent with the introduction of BS6, improved protection requirements and higher insurance. This dual effect can lead to downgrades of certain PV models. "A consumer who could manage, say, the i10 might rather have updated to the i20 in a more competitive setting, or who could buy the higher i10 model. Yet still there may be a bias for low-end models if new sales do still arise," Mukhtyar adds. "In addition, consumers may continue to see cars in the context of a lease, a rental, whether for six months or one year, or opportunities for leasing," he said. Nonetheless, it's hard to make a decision as far as the impact on the buying of new vehicles is concerned.

Chaba(2018) of MG Motor India believes that the pandemic will have a lasting effect on consumer thinking. "First, people over the age of 40 who have more money in their pockets would think about the concept about YOLO (you only live once) and more spend more on automobiles, expensive products, and holidays, and more consumerism will occur. Furthermore,

many people are contemplating new-energy cars because many residents are now concerned of emissions being lowered dramatically during the lock-out.

Brand analyst Bijoor considers the Covid-19 a decisive problem which is going to alter behaviors. "The campaign why-when-you-can-borrow is going to grow. Consumers must consider from two points of view. Another from the point of view of fatalism and the other from the point of view of individualism and the complex behavior. Both diametrically opposite campaigns clash to minimize ownership of automobiles as a practice, the moment of which arrives.

### 3. Research Methodology

To study the impact of COVID-19 on the automobile industry we used a questionnaire that was distributed amongst 50 respondents and their responses were recorded and the analysis was done based on those responses. The method of research was disruptive.

#### 3.1 Objectives

- 1) To study the impact of COVID-19 on the automobile sector.
- 2) To study the impact of covid-19 on the purchase decisions of customers from automobile companies.

#### 3.2 DATA ANALYSIS

##### Q-What is your gender?

- Male
- Female

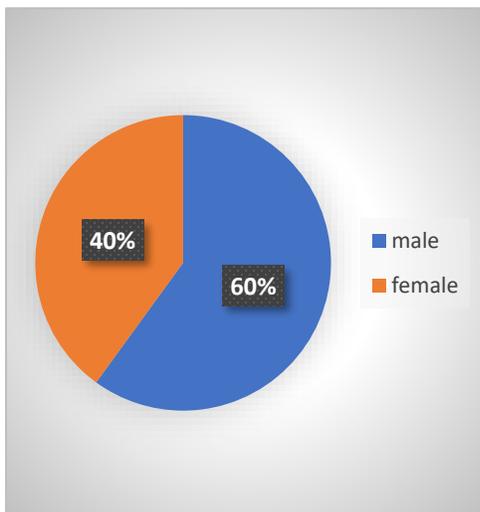


Figure 1:- Male vs Female

**INTRPRETATION:** During the survey we found that among 100 respondents ,60% were male.

##### Q-What is your age?

- Under 18
- 19-28
- 29-35
- 36 Above

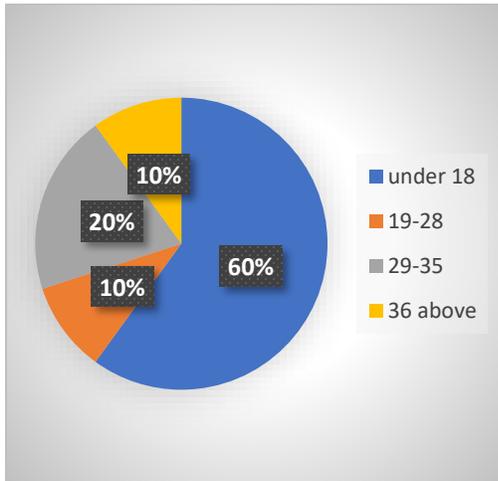


Figure 2:- Age criteria

**INTERPRETATION:** During the survey we found that among 100 respondents, 60 % were under 18.

**Q- Do you think that automobile companies' business will be heavily impacted as a result of covid-19 pandemic?**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

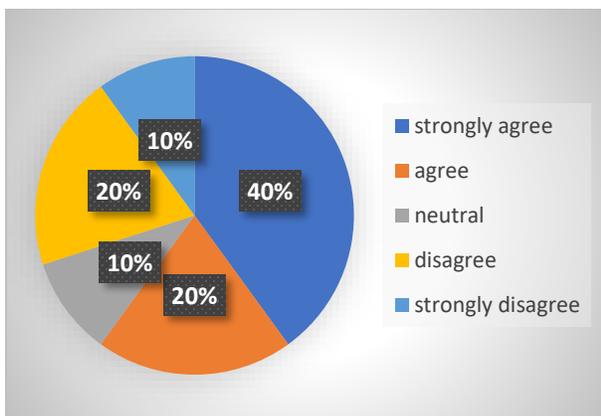


Figure 3:- Impact of covid on automobile companies

**INTERPRETATION:** During the survey we found that among 100 respondents, 40% think that automobile companies' business will be heavily impacted as a result of covid-19 pandemic or the automobile companies resist giving test drives to its potential customers.

**Q- Do you think that due to financial problems that people are facing they are not able to afford cars so that is impacting the purchase behavior?**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

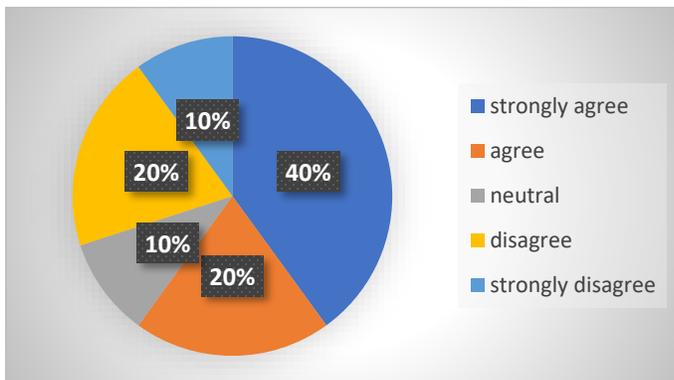


Figure 4:-Financial problems vs Purchase behavior

**INTERPRETATION:** During the survey we found that due to financial problems that people are facing they are not able to afford cars so that is impacting the purchase behavior.

**Q-Do you think that most of the automobile companies' upgradation of BS4 to BS6 during the pandemic time was not a good decision?**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

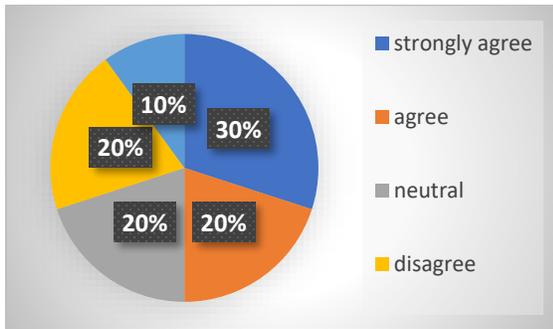


Figure 5:- Decision of BS4 vs BS6

**INTERPRETATION:** During the survey we found that among 100 respondents, 30% think that the **most** of the automobile companies' upgradation of BS\$ to BS6 during the pandemic time was not a good decision you think that offering test drive to potential car buyers is an important technique of car sales.

**Q-Do you think that economic slowdown due to covid-19 situation has affected the sales of the automobile companies?**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

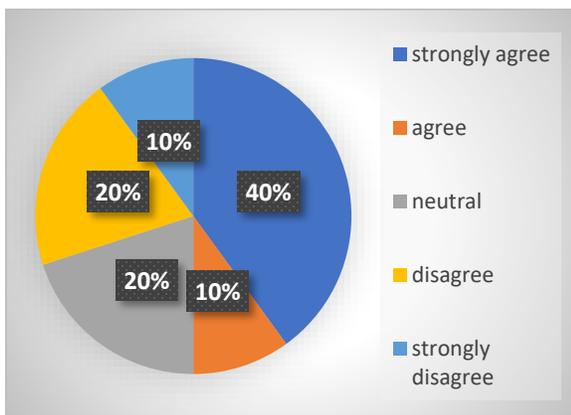


Figure 6:- Impact of covid-19 over sales

**INTERPRETATION:** During the survey we found that among 100 respondents, economic slowdown due to covid-19 situation has affected the sales of the automobile companies

**Q-Do you think that automobile companies should offer more discounts on the cars in this pandemic situation to encourage the customers to buy new cars?**

- Strongly Agree
- Agree

- Neutral
- Disagree
- Strongly Disagree

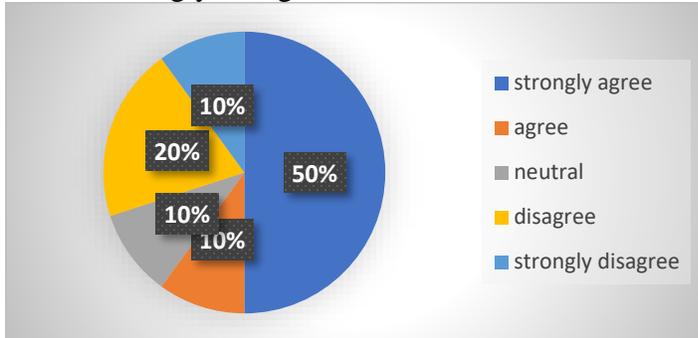


Figure 7:- Discount offers vs Encouraging customers

**INTERPRETATION:** During the survey we found that among 100 respondents, 50% think that that automobile companies should offer more discounts on the cars in this pandemic situation to encourage the customers to buy new cars.

**Q-Do you think that the condition of automobile companies can improve further if they introduce new strategies of marketing during this pandemic situation?**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

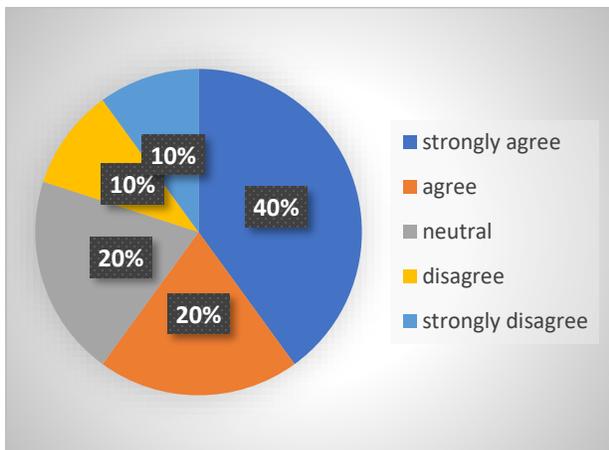


Figure 8:- Automobile companies conditions vs new strategies

**INTERPRETATION:** During the survey we found that among 100 respondents, 40% think that condition of automobile companies ca improve further if they introduce new strategies of marketing during this pandemic situation.

#### **4. Conclusion**

The outbreak of COVID-19 has been destructive worldwide. Since the rise of the coronavirus outbreak, the question has escalated in recent weeks. While nearly the entire world is suffering through the outbreak, its epicenter is in Wuhan, China. China has been struck hardest, and the country's economic development has slowed down considerably. For all the worries of the world about the Chinese commodity and increasing global protection controls, China's exports have deteriorated steeply, with no expected rebound.

An immense amount of Indian imports depend on China. The availability of Indian cars relies heavily on our Chinese partners. And that's not something we mean lightly. In 2018-19, China manufactured an record USD 4.5 billion of vehicle parts. An incredible 27% of car parts are manufactured in China and, as we have reported, shipped to Indian companies worth 4.5 billion. Only a minor blow to this partnership will cause us to pay a very high price for the sector's growth.

The deadly outbreak has made the Chinese factories ineffective, which has put an end to the Indian automotive industry. According to the Chinese Automobile Manufacturers Association (CAAM), the industry 's effect is so serious that many automakers risk financial crisis, which creates a flood of effects on other car markets, including India. The manufacturing facilities have been dismantled absolutely and, due to this, we have missed the vehicle products of the factory's Indian equivalents.

India imports a broad variety of vehicle parts from China including different styles of vehicles.

The main non-domestic goods that can restrict further development of industrial vehicles, passenger vehicles and two-wheelers, according to ICRA are vital automotive parts such as fuel injection pumps, EGR units, computer components, turbo chargers, airbag components, etc. Tractor companies are speculated that this decline is not being achieved as their component production is located inherently. It seems that the solution is to switch to suppliers outside China. Nevertheless, this turns out to be an unlikely task, as the change can not be suddenly abrupt and successful. And even though the change is ongoing, the current supply in India is relatively limited to improve demand, especially in view of the way that India prepares to meet BS6 requirements.

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