Customer Analysis of Mid-Range Sport Utility Vehicle in India

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Abstract

Background: In India, the automobile industry has grown extensively in the past few years and to be very specific Sport Utility Vehicles (SUV) has been one of the major boosters in the industry. Methods: The objective of this study was to analyze the consumer behaviour, thinking and usage patterns of those who have bought a mid-range priced SUV (10 to 20 lakhs) in the last 10 months (June 2019 to April 2020) or is planning to buy one in the next 10 months (May 2020 to March 2021). Hyundai Creta, KIA Seltos, MG Hector, TATA Harrier, Mahindra XUV 500, Toyota Innova, VitaraBrezza and Hyundai Venue were considered for the study from a particular segment. The sample of approximately 130 customers were taken and the analysis was done based on the data recorded in four major sections, i.e. Media Consumption, Unaided recall, Brand preferences and Price perception and decision making. Conclusion: The results indicated that most of the consumers were mostly active on Social Media Platform like Facebook and rated almost every SUV value for money which was included in the survey. In fact almost every participant in the survey was satisfied with the purchase they made to spend money on their SUVs.

Keywords: Automobile Industry, Sport Utility Vehicles (SUV), Consumer Behavior

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1. Introduction:

The Automobile Industry in India is one of the major sectors which contributes significantly in the economic growth of the country. As per Standard European Standardisation Expert in India (SESEI)¹¹, report on Indian automobile industry in 2018, more than 7% of the total Gross Domestic Product (GDP) of the nation is contributed by the auto industry. Also, in terms of employment, 32 million people in India are involved in the auto sector, which certainly is a huge number considering the humongous population of India.

In production terms, the two wheeler Indian market is the largest in the world, whereas other sectors of passenger vehicles, commercial vehicles also contributes significantly to the auto industry significantly. To be more specific, India had a production rate of more than 3.9 million units of passenger cars and commercial vehicles collectively back in 2011, which made India the sixth largest manufacturing industry at that point of time. Considering the size of Indian market, no one would hesitate saying that India is one of the biggest automotive markets in 2020, if not the biggest of all. Due to the measures taken by the Indian government and an increasing demand amongst the people in last one decade or so, the automobile industry in India now accounts for approximately 49% of the manufacturing GDP in India²².

In all this time of Covid-19 where automobile industry across the world was hit hard, Sport- Utility Vehicles (SUVs) never went out of demand. SUVs which are broadly classified as Mini SUV, Compact or Crossover SUV, Mid-size SUV, Full size SUVs and Extended length SUV are the vehicles with a sporty look and an off road vehicle experience yet comfortable. Now, due to the coronavirus pandemic the brands were unable to manufacture and deliver any orders during the lockdown in India for two months, but people were still looking to buy SUVs and were placing orders in that period. Approximately 15000 bookings were made for brand new Hyundai Creta.
March model in the month of June 2020\(^3\). Even though the numbers are of Hyundai Creta, that doesn’t deny the fact that people are considering more and more SUVs these days.

Due to the rise of number of SUV Models in India in the recent years, people have started considering more and more SUVs as an option while purchasing. Hyundai, Maruti Suzuki, Mahindra, TATA and more players in the Indian market have started manufacturing new SUV models. Even the new players in Indian market like Morris Garages and KIA have entered with their brand new SUV models. In fact KIA, even after being such a new player in the market, KIA Seltos was the closest competitor to Hyundai Creta in the month of June. The reasons are quite obvious and understandable; the price, the looks, the comfort; every feature of an SUV attracts an Indian to buy it and that is why SUV sales in last few years have boomed.

Maruti Suzuki, probably the most successful brand in Indian market had to launch its SUVs with a completely new showroom chains of NEXA. Even after being so successful, what made Maruti Suzuki start an all new premium dealership chain? The reason behind it was a logical one. Due to Maruti Suzuki’s low price image in India, they were finding it difficult to sell high priced passenger vehicles. In any case the market was full of competitors in that segment. Hyundai, Mahindra, Toyota, TATA; all of them were established players of that segment. Also, people were hesitant while buying higher priced Passenger vehicles of Maruti Suzuki due to its image of selling cheaper cars. This made them took few decisions about what to do next and how to go about it. After a deep market research and a growing interest of people who loved innovation and high technology based vehicles, Maruti Suzuki started a completely new dealership chain by the name of NEXA in 2015. Looking at the market and people interest in the SUVs, Maruti Suzuki took this decision to sell their high priced passenger vehicles. Now, NEXA has been so successful that it contributes 20% of the total Maruti Suzuki sales all over India.\(^4\)

The rise of Compact SUVs has been of such effectiveness that if you roam around on Indian roads any day, almost every 1 out of 4 cars visible will be an SUV. In fact, as per Subramaniam and Muthu\(^5\), the sales of compact SUVs in India will quadruple to 9, 70,000 vehicles in the year 2020.

In terms of Consumers buying behaviour, it depends a lot upon what kind of image the brand has and what it offers to them considering all aspects. Be it the product, the service, the varieties, campaigns, the use of social media; every single aspect contributes in forming opinion in the mind of a Consumer and thus the liking and disliking.

Marketing and advertising in today’s time defines how the customer is going to perceive your Brand. These two tools are one of the most effective ways of describing and portraying the image of a Brand and that’s why no wonder big brands in the automobile industries well allot a huge amount of budget just for their marketing and advertising needs. And to be very honest why wouldn’t they do that? According to a research on Consumer buying behaviour in auto industry in India, advertising and marketing creates a very positive image in consumer’s mind and thus it helps in reforming consumer’s opinion about a particular automobile brand, which definitely helps in selling more and more units\(^6\). For example; Maruti Suzuki, Honda and Hyundai are the top 3 most preferred automobile brands in India\(^7\). All 3 brands are giants in the Indian market and a lot of advertising and marketing goes behind the scenes to control or change consumer’s opinion or behaviour towards the brands.

Chang and Wang\(^8\) explains consumer buying behaviour is observed in three different stages of pre purchase, purchase and post purchase, where they suggest dealers to work more on their e-service and thus attracting consumers in the pre purchase stage. On the other hand when the consumer is in the purchase stage, emotional factors should be targeted and conveyed through communication, such as customer satisfaction. The Post Purchase Stage is very important for the dealers to strengthen their relationship with the consumers, so that he/she remains satisfied and loyal to the brand. Thus Customer perceived value plays an important role in the third stage. In this process, what’s more important is to create and maintain a brand image, because at the end of the day Brand image is what remains in the conscious mind of consumers which will be visible in their buying behaviors\(^9\)\(^10\).

2. Material & methods:

The methodology adopted consisted of reviewing the literature related to Sport Utility Vehicles (SUVs) and the consumer buying and thinking patterns of a specific targeted segment. The process

was then followed by designing a questionnaire and conducting a survey to determine what kind of thought process takes place in Consumers mind before buying a Mid-Range priced SUV in India. Mid-Range Priced SUVs here meant the price range between 10 to 20 Lakhs. Figure 1 below explains the methodology process briefly.

The SUVs considered for the survey were:
- Hyundai Creta
- KIA Seltos
- MG Hector
- TATA Harrier
- Mahindra XUV 500
- Toyota Innova
- Hyundai Venue
- VitaraBrezza
- Ford Ecosport

2.1 Selection of the subject

The survey was conducted targeting mainly two different sets of customers, one who bought an SUV in the range of 10 to 20 Lakhs in the last ten months, i.e. June 2019 to April 2020 and the other one being those who were planning to buy an SUV in the range of 10 to 20 Lakhs in the next ten months, i.e. May 2020 to March 2021. During the survey, a total of 128 surveys were conducted overall via telephonic conversation or distributing questionnaire directly to the respondents. Also, as per Hair, Black, Babin, Anderson and Tatham[11], a minimum of 25 items in a questionnaire is considered to be a good survey. Keeping that in mind more than 60 items were added to the questionnaire in four different sections. Each and every response was evaluated and verified, which resulted in dropping the responses of 36 respondents and finally the data of 92 respondents was considered to be the final one. The survey was largely dominated by 82 Males which roughly makes up to 89% of the total participants. According to the data, maximum number of customers who has purchased a Mid-Price Ranged SUV in the last 10 month or is planning to buy one are from the age bracket of 25-35, i.e. approximately 65% of the total participants. Also 53% of the respondents targeted were either self-employed or had their own business.
2.2 Selection of the Variables

The variables of the study were Media Consumption, Recall Memory, Brand Preferences, Decision making and Price perception. Each of these sections had few questions and were designed in all the possible ways of answering them, for example, questions with likert scale from 1 to 5, open ended questions, multiple choice questions, every type of question was included in the questionnaire for the respondents.

The study had no biasness in reaching to a certain conclusion. People targeted for the survey has been really taken care in order to reach out the right set of customers that we were looking for. Also, no identity has been disclosed in any way and all the participants in the survey were explained about the objective of the study.

2.3 Data Collection

While designing the questionnaire, few pointers were focused in order to achieve the desired results. The questionnaire was divided in five major sections of Demographics, Media Consumption, Recall Memory, Brand Preferences, Decision making and Price perception. Once the questionnaire was designed, few suggestions were considered from the automobile industry experts before conducting the study. On the basis of those suggestions changes were made to the questionnaire and finally data collection procedure began. The survey was conducted through telephonic conversations or through Google forms. A total of 128 respondents participated in the survey out of which only 92 responses were considered to be final after some validation and verification.

3. Results and Discussion:

Once the survey was done, the data of all the respondents was collaborated in an excel sheet and was then analyzed mainly in 4 different sections, i.e. Media Consumption, Unaided Recall, Brand Preferences and Decision making and Price Perception.

3.1 Media Consumption

While developing the questionnaire, few questions were added regarding the usage of different media platforms by the consumers which gave an idea about their usage and how much time do they spend on a daily basis on these platforms. The questions were related to the most used video streaming apps, most used music streaming apps, most used e commerce websites, the activity on social media platforms and much more.

Almost 70% of the total participants use Social Media platforms (Facebook, Instagram, Twitter, and Snapchat) at least up to 2 hours a day. Whereas only remaining 30% of the participants have a usage of more than 2 hours. This indicates that the customers buying Mid-Range Priced SUV’s in India are pretty much active on Social Media for decent hours on an everyday basis which gives these automobile brands an option to promote more of their products on the Social Media.

From the survey we also found out there was not even a single participant who denied using any kind of Social media platform, which shows how important media platforms are in our daily lives. Facebook and Instagram had the maximum number of participants rating as high as 4 or 5 on the likert scale in terms of their activity (1= Not active at all, 5= Very Active). On the other hand Twitter and Snapchat had a very tiny number as most of the participants rated just 1 or 2.
Now, talking specifically from the brand’s point of view in terms of reaching out to the customers liking Mid-Range Priced SUV in India. Approximately 56% of customers were found using Amazon the most for any kind of online shopping (Figure 3), which indicates that the SUV Brands can effectively run a marketing campaign of Amazon to attract maximum number of customers. Also Amazon being a huge giant in this particular sector, it gives a huge opportunity for the SUV brands to reach out to even larger set of customers.
In terms of video streaming (Figure 4) there was not even a close competitor as per the data recorded. 58 participants out of 92 like to stream videos on Youtube, which is 63% of the total number. The closest preferred choice to Youtube for the participants was Netflix, where 24 people (26%) said they love to watch videos more on Netflix than any other video streaming platform. Again from brands perspective, youtube could be the best way possible to catch an eye of SUV customers.

3.2 Unaided Recall

Unaided Recall is a part of Marketing Research Technique where the brands try to measure the effectiveness when the respondents are asked about Brands without giving any hints or clues. This helps to know how much a customer can recall about a brand through whatever he has seen in the past or have experienced it. Questions ranging from last automobile advertisement that a respondent can recall to the top automobile brands that the respondents can recall were added to this section.

In terms of the latest or the last automobile brand that the respondents could recall, as per data in Figure 5, Brand KIA was recalled by the maximum number of respondents which was actually a bit of surprise considering the fact that KIA is such a new player in the Indian Market. 19% of the participants could recall the last advertisement by KIA. The closest to KIA was TATA, with almost 11% of the respondents recalling TATA’s advertisement.

Figure 5. Last Automobile Brand Advertisement Recall

The respondents were also asked to rank top 3 automobile companies in India that they could recall. Approximately 14% people said Toyota is the number one automobile brand according to them, with Hyundai (13%) and Mercedes (18%) at second and third choices of preference when they recalled.

When it comes to top 3 SUV Models according to the respondents, Toyota Fortuner was recalled by 16% of the respondents as a first preference. Hyundai Creta (12%) was the second choice of preference for most of the respondents and Ford Endeavor (9%) was the third choice SUV Preference for many respondents.

3.3 Brand Preferences

As can be seen in Figure 6, in terms of ranking the preference order of Mid-Range Priced SUVs, respondents were given a list of SUV models in this segment. According to the respondents
(Figure 8) TATA Harrier was ranked at top by 22 participants in the survey, i.e. approximately 24% of the total. Mahindra XUV was the closest with 14 people’s preference at top.

At second, KIA Seltos one of the newest players in the Indian Market was the second most preferred SUV. 18 participants which is almost 20% of the total opted Seltos at second. MG Hector which is another new player in Indian market and one of the closest competitor to Seltos was preferred by 11 participants.

Hyundai Creta, one of the leaders in this segment was the third most preferred SUV Model with 14 people selecting Creta as their preference at third.

3.4 Decision Making and Price Perception:

Before reaching to the final decision of which vehicle to purchase, a customer goes through a huge thought process. Family, Coworkers, Social Media and manufacturers websites, all plays an important part in the decision making. Even the perception of a customer related to the Price range is influenced by these factors.

Thus the participants were asked to rate the importance of decision making from 1 (least important) to 5 (most important) while making any kind of SUV purchase. As per Figure 7, more than 70% people said that their own decision is what matters while purchasing an SUV. 40% of the participants agreed that their spouse’s decision also matters to them. Whereas an interesting fact was observed during the survey, almost 50% participants rated the importance of Social Media below 3 while making an SUV purchase which was a bit surprising considering how much brands spend these days on social media marketing. Coworkers, Manufacturers website and expert reviews also didn’t mattered much for most of the respondents.
Price Perception matters a lot from the brands point of view because this gives them an idea what an ideal customer perceives about them. That is why Brands spend a lot of money for market research and then position their products accordingly.

A few questions were asked related to the perception in terms of price from the respondents. Few SUV Models from the targeted segment were given as an option to the customers and were asked to rate them as cheap, expensive or value for money, whatever they think about these SUV models.

One very common observation made out of the data was that all the SUV Models that were stated during the survey were rated value for money by majority of the participants in the survey (Figure 8). But Mahindra XUV 500 was the most trusted brand in terms of price according to the participants as more than 50 respondents said they find Mahindra’s XUV value for money and would like to go ahead with it.

The research studied about the buying behaviour, thinking pattern and usage pattern of consumers who have bought a Mid-Range Priced Sport Utility Vehicles (SUVs) in the last 10 months (June 2019 to April 2020) or is planning to buy the same in the upcoming 10 months (May 2020 to March 2021) in India. By Mid-Range Priced SUV we meant the SUV vehicles in the price range of 10-20 Lakhs in India, i.e. Hyundai Creta, KIA Seltos, MG Hector, TATA Harrier, Mahindra XUV 500, Toyota Innova, Hyundai Venue, VitaraBrezza and Ford EcoSport. And as explained by Solomon, Russell Bennett and Previte in their book about consumer behavior; Perception, Personality, Memory and Recall are all important aspects the brands need to work on in order to be successful. Whereas Problem Recognition is one of those aspects where the brands have to work more on due to the fact that trends keeps on changing from customers’ point of view. So finding out the problem and getting a solution to that can do wonders to the Brands in the market.

The literature related to the automobile industry had one observation in common that SUVs are the new trend in India and Indians in some or the other way likes the concept, style, comfort and features present in SUVs which are not cheaply available in any other type of car. Due to the bold features and a powerful engine in SUVs, performance compared to any other vehicle type is much better. And that is why when asked about the perception regarding price of the listed SUVs during the survey, almost everyone said all the models in that range are value for money. Anyhow India has a population in which the number of youngsters are more and as per Vrkljan and Anaby in 2011, youngsters like vehicles with great performance, and can compromise a bit on safety because the fatality rate by crashing is higher in terms of an SUV as compared to a car due to its heavy body structure. But what mattered the most is the interiors.

Figure 8. Price Perception

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SUVs are known for great performance, even though the safety here is compromised a bit as per Ted Gayer in 2004 because the fatality rate by crashing is higher in terms of an SUV as compared to a car due to its heavy body structure. But what mattered the most is the interiors,
space and the personal safety and that is something where SUV wins. The personal safety and the Social space in SUV catches an eye of customers\(^{16}\).

While doing the survey a lot of people mentioned the reason of them selecting an SUV. More than 50% of the participants did said the kind features that they get in an SUV at this price range is not available in other car types. In fact a lot of people also used the word “feel” which makes SUV different from others. The results indicate that SUV is the new love for Indian customers. They could easily recall the advertisements related to SUVs, which shows the kind of awareness and information that is available through advertising and marketing about SUV and how people are also like to know more about it. In fact brands these days also try to create an impact more from the advertisements. Lots of ads try to focus on specifically “your budget car” whereas some advertisements also try to give a different angle to their advertisements by focusing more on luxury. Thus, while interesting messages are prominent features of car ads, there is more to ads-and to SUVs- than just a simple logic\(^{17}\). In fact one of the question was regarding the awareness about any future SUV launches in India. Even though very few people were aware but a lot of those who didn’t know also showed interest in knowing such kind of SUVs.

As much as the advertisements are important it is equally important for these SUV brands to be creative in order to reach out to more consumers. The Consumer behaviour depends a lot upon their perception about a brand and whether they can recall what they experience from Brands point of view or not. This is where the creativity comes handy because it creates that uniqueness in customers mind. Thus Recall and Persuasion are two important factors that requires creative advertising to put an impression over customer\(^{18}\). And this is one of the reasons why Brands allot a high budget for advertising in automobile industry.

4. Conclusion:

The result of the current study shows automobile industry in India is heading towards a new landmark where the number of SUVs will grow extensively over the years, which in any case has already started. Consumers are more influenced by the looks, design and features of an SUV as compared to any other car type in the industry. The entry of players like Morris Garages (MG) and KIA in the Indian market through their SUV models has revolutionized this segment with the latest innovation and technology. In fact Brands like Maruti Suzuki have also started manufacturing new SUV models due to the demand. SUV Models like Hyundai Venue, KIA Seltos, MG Hector, and VitaraBrezza has been very successful in Indian market.

The study aimed at finding the usage and thinking patterns of customers buying mid-range priced SUVs. For future areas of research, the study could be extended by what specific factors customer wants so that automobile brands are able to manufacture and position their SUVs accordingly.

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