

Determinants of Preference towards Passenger Cars – The Case of Madurai City in Tamilnadu

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Abstract: *India is the second fastest growing car market in the world. The Indian passenger car industry is made highly competitive because of the stiff competition between the domestic as well as foreign manufacturers. The survival and success in this competitive environment relies largely on the introduction of the innovative products or services with potential for need-fulfilment. The manufacturers or sellers must fully understand the factors which influence the consumers' choice towards a particular brand of car. In this context, the present paper attempts to identify and analyse the factors influencing the selection of a particular brand of car by the car owners in Madurai City. This paper is based on both the primary and secondary data. The primary data were collected by the researcher from a sample size of 150 respondents by adopting Proportionate Random Sampling Technique. The results of the study show that price and fuel efficiency are the dominant factors and the pick-up and comfort and the latest technology are the least and last factors that influence the sample car owners in the study area while purchasing selected brands of cars.*

Key words: *Brand Image, Automobile Industry, and Passenger Car.*

I. Introduction

The Indian automobile industry has been growing in leaps and bounds in the recent past which enables it to reach zenith of prominence and pride in the Indian economy. The extraordinary growth that the Indian automotive industry has witnessed is a result of two inter-related factors namely, the improvement in the living standards of the middle class leading to increase in their purchasing power. Moreover the liberalization measures, such as, relaxation of the forex and equity regulations, reduction in tariffs on imports, and reforms in the banking sector initiated by the Government of India (GOI), have made it easy and possible for the Indian automobile industry to scale new heights. Added to these is the institutionalization of automobile finance which has further paved the way for a sustainable long-term high growth of the industry.

The unprecedented growth in demand for luxurious models, SUVs and mini-cars chiefly because of increased purchasing power of middle class people has made the Indian automobile industry. The small and compact cars together occupy around 80 per cent of the Indian car industry, leaving the mid-segment and luxury cars in terms of sales and volumes behind (Ramesh Sardar, 2012).

The Indian passenger car industry is made highly competitive because of the stiff competition between the domestic as well as foreign manufacturers. Most of the 13 car manufacturers in the Indian passenger car industry are multinational corporations, who received a red-carpet welcome after the Indian economy opened up. Maruti is one of the few Indian manufacturers with 50 per cent of the market share in the mini and compact cars segment (Ramesh Sardar, 2012). The survival and success in this competitive environment relies largely on the introduction of the innovative products or services with potential for need-fulfilment. Further, a company should have adequate level of competency to overcome the tough competition in the market efficiently and effectively. Besides, a dramatic change in the expectation of customers and the competitive climate in the Indian automobile market have forced the car manufacturers or sellers to manufacture various innovative products to generate and sustain the confidence and satisfaction of the customers. Today, the consumers have a number of brands and variants of cars from among which they can select a particular brand with the hope of drawing more satisfaction from the choice. But, before making final choice, they have to consider a number of factors. An identification and thorough analysis of various factors influencing the consumers' decision towards the purchase of particular brand of car alone would guide the manufacturers to develop and deliver the right product at the right time. The manufacturers or sellers must fully understand the factors which influence the consumers' choice towards a particular brand of car. In this context, the present study entitled 'Determinants of Preference towards Passenger Cars in Madurai City' is an attempt to identify and analyse the factors influencing the selection of a particular brand of car by the car owners in Madurai City.

This paper is organized broadly into four parts. Part I presents the literature review. Part II prescribes the objectives and methodology while part III presents the profile of the sample car owners. Part IV analyses the factors influencing the brand preference by the owners of passenger cars in the study area followed by a short summary and a few concluding remarks.

II. Literature Review

The buyers' purchase behavior is not only influenced by current price of a product but also by the price they expect in future (Krishna, 1994). The owners of passenger cars in the major cities of the state of Punjab and the Union Territory of Chandigarh perceive that safety and comfort are the most important features of the passenger car followed by luxuriousness (Mandeep and Sandhu, 2006). The speed, comfort and safety are the most significant factors which influence the purchase of Sedan car by the customers in the US market (Chen Lihua, 2007). The country of origin, brand name, lower price, and distributor's reputation completely has a significant impact on the sale of passenger cars (Brown et.al, 1987). The passenger car owners in Coimbatore City give more importance to fuel efficiency than other factors and they prefer to purchase the passenger cars which offer high fuel efficiency, good quality, technology, durability and reasonable price (Chidambaram and Alfred, 2007). Safety, value for money, and riding comfort are the most important factors that influence the purchasing decision of the Chinese consumers towards passenger cars (Dongyan and Xuan, 2008).

The name of the company, durability, driving comfort, brand popularity, spare parts availability, travel convenience and overall look are the major factors that led the customers to prefer Maruti product to others (Purohit, 2009). The influence of peer group is higher for the purchase of small sized and mid-sized cars in Coimbatore District (Clement and Venkatapathy, 2009). The price of the car is the most important factor for selecting Nano followed by the name TATA which stand quite tall in the country. The factors like global presence, worldwide reputation and quality have played a pivotal role in the decision-making of customers in Puducherry City towards preference of local and global brands. One of the most important factors influencing the purchase of passenger cars in India is the availability of auto finance or consumer credit (Joseph and Kamble, 2011). The demographic factors such as age, monthly household income and the number of earning members in the family have a significant impact on the positive attitude towards the imported, used cars (Johnson and Sargunam, 2012).

The factors like sources of information need for fuel economy and necessity, cost and durability, warranty and prestige, comfort, and value are the motivating factors for the purchase intention of car owners in Vellore District of Tamilnadu (Akbar and Ashok, 2012). The price of the car, advanced technology, market re-sale value of the brand and model, security features, safety features and driving comfort were the prominent factors which influenced the consumers' purchasing behaviour of passenger cars in the State of Kerala (Balakrishnan and Jagathy, 2012). The product reliability, monetary factor, trendy appeal, frequency of non-price promotions offered, trustworthiness and customer feeling or association towards brand are the most dominant factors influencing customers' brand preference towards SUVs and MUVs (Prasanna Mohan Raj et. al, 2013). The value consciousness, price, and quality are the parameters that influence the customer purchase behavior towards small cars within the city of Pune (John and Pragadeeswaran, 2013). Price is one of the most important factors and safety measures in car are least preferred factor that influences the consumer behavior with special reference to small cars in the cities of Jaipur and Jodhpur (Joshi, 2013).

Though, there are a number of studies focusing on the determinants of brand preference only a limited number of studies have attempted to analyse the determinants of branded cars in general and medium-sized cars in particular. There is no extensive and exhaustive study which has focused on the factors influencing the purchase behavior of the car owners in Madurai District in general and Madurai City in particular. Hence the present study attempts to fill this gap in the existing literature by shedding light on the factors determining the selection of passenger cars by the car owners in Madurai City.

III. Objective And Methodology

Objective

1. To analyse the factors influencing the brand preference by the owners of passenger cars in Madurai City.

Methodology

This paper is based on both the primary and secondary data. The secondary data required for this paper were collected and compiled from both the published and unpublished sources. The primary data were collected through a scientifically developed questionnaire during the period of June to August 2012. The questionnaire for the present study was framed based on the information gathered from the review of the previous studies undertaken on this topic. An in-depth discussion and interaction by the researcher with the experts in this field and car dealers in Madurai City have helped him make the questionnaire respondent-friendly. Further, the questionnaire was subjected to extensive pre-testing and refinement through a pilot study among the 30 respondents. The required data were collected by the researcher from a sample size of 150 respondents by adopting proportionate random sampling technique.

There are three Regional Transport Offices in Madurai District. Of which the Regional Transport Office, Madurai South, located in Madurai City, was selected for the present study. From the selected Regional Transport Office, the details of total number of cars registered at this office in 2011 were collected for the

purpose of designing the sampling plan. The records available with the Regional Transport Office have shown that there were 1624 cars registered in 2011. The top five car manufacturing companies in terms of number of units sold were selected for the present study. The selected companies were Maruti Suzuki India Limited, Tata Motors Limited, Ford India Private Limited, Mahindra and Mahindra Limited, and Hyundai Motor India Limited. Finally, one fast moving brand from each company was selected based on the number of units sold. The fast moving brands selected from each company include Maruti Alto, Tata Indica, Hyundai i10, Ford Figo and Bolero from Mahindra and Mahindra. Finally, the Proportionate Random Sampling Technique has been adopted to select 150 respondents from the owners of these five brands. The list of sample companies, sample brands, and the number of respondents selected from each category are presented in Table 1.

Table 1: Sample Size of the Study

Name of the Company	Name of the Brand	Number of Cars Registered	Sample Size
Maruti Suzuki India Limited	Alto	177	56
Tata Motors Limited	Indica	81	26
Ford India Private Limited	Figo	93	30
Hyundai Motor India Limited	I10	65	20
Mahindra and Mahindra Limited	Bolero	56	18
Total		472	150

Source: Regional Transport Office, Madurai.

Out of 472 car owners of these five brands who made a purchase in 2011, 150 were selected for the present study by employing Proportionate Random Sampling Technique. The collected data were put to a critical statistical examination with the help of tools such as the Percentile Analysis, Averages, Mean Scores, Standard Deviation, and Garrett’s Ranking Technique.

Profile of the Sample Car Owners

In this part, an attempt is made to present the socio-economic profile of the sample car owners in the study area which will bring to the limelight various socio-economic factors like age, sex, marital status, occupation, income, family type, and the like. Further, efforts have been made to understand the availability and usage of car by the sample car owners in the study area. Table 3 presents the demographic characteristics of the sample car owners in the study area.

Table 3 : Demographic Characteristics

Variables	Categories	Number of Respondents	Per cent
Sex	Male	121	80.67
	Female	29	19.33
	Total	150	100
Age	Below 25 Years	13	8.67
	25 to 35 Years	71	47.33
	35 to 45 Years	44	29.33
	Above 45 Years	22	14.67
	Total	150	100
Marital Status	Married	134	89.33
	Unmarried	16	10.67
	Total	150	100
Family Type	Joint family	57	38
	Nuclear family	93	62
	Total	150	100
Educational Qualifications	School Education	37	24.67
	Under Graduates	61	40.67
	Post Graduates	40	26.66
	Professionals	12	8.00
	Total	150	100
Occupation	Businessmen	34	22.67
	Professionals	12	8.00
	Private Employees	56	37.33
	Govt. Employees	48	32.00
	Total	150	100
Monthly Income	Below Rs.20000	3	2.00
	Rs.20000 to Rs.40000	22	14.67
	Rs.40000 to Rs.60000	44	29.33
	Above Rs.60000	81	54.00
	Total	150	100

Source: Primary Data

Table 3 reveals that a majority of the sample car owners in the study area are males and most of the car owners in the study area are in the age group of 25 to 35 years. It could be understood that 113 out of the 150 sample car owners have completed their higher education. Most of the car owners in the study area are private employees while the professionals constitute only eight per cent of them. It is crystal clear that the majority of the sample car owners is married and belongs to the nuclear family category. More than three fourths of the car owners in the study area earn more than Rs.40000 per month.

Factors Influencing the Selection of the Passenger Cars

The purchasing decision of the consumers towards a particular product or service is not influenced by a single factor but by a number of factors which do vary from one brand to another, from one product to another, and from one person to another person. So, the identification and analysis of the factors which are considered by the consumers before making the purchasing decision are essential for the manufacturers or traders for success which in turn ensures survival in the competitive market.

In this part, an attempt is made to study and analyse the factors considered by the car owners in the study area while purchasing cars. For this purpose, the respondents were asked to rank the following factors according to their priority towards a particular brand of car.

1. Brand Image
2. Maintenance Cost
3. Latest Technology
4. Pick up and Comfort
5. Fuel Efficiency
6. Price
7. Model, Size and Style
8. Resale Value
9. After Sales Service, and
10. Availability of Spare parts

The order of merit thus given by the respondents was converted into rank by using the following formula.

$$\text{Percent Position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

R_{ij} = Rank given by the i^{th} factor

N_j = Number of factors ranked by the j^{th} individual

The per cent position of each rank was obtained and converted into scores by referring to the table using Garrett’s ranking. Then for each factor the scores of individual respondents were added together and divided by the total number of respondents. Ranks were assigned and the important factors were identified. The ranks assigned by the sample car owners are presented in Table 1.

Table 1: Factors Influencing Preference towards Passenger Cars

Factors	Alto			Indica			Hyundai I10			Figo			Bolero		
	Total Score	Average Score	Rank												
Brand Image	2836	50.64	6	1667	64.11	2	1031	51.55	5	1657	55.23	3	1157	64.27	1
Maintenance Cost	3219	55.87	3	1401	53.88	4	1151	57.55	3	1597	53.23	4	661	36.72	9
Latest Technology	2254	40.25	9	1005	40.57	9	1131	56.55	4	1556	51.86	5	657	36.50	10
Pick up and Comfort	1896	33.85	10	945	36.34	10	630	31.50	10	1019	37.86	9	1104	61.33	2
Fuel Efficiency	3462	61.82	2	1692	65.07	1	1170	58.50	2	1895	63.16	2	1028	57.11	4
Price	3503	62.55	1	1415	54.42	3	1191	59.55	1	1988	66.26	1	1018	56.55	5
Model, Size and Style	2499	44.62	8	1077	41.22	8	732	36.60	9	1281	42.70	8	794	44.11	7
Resale Value	3095	55.26	4	1226	47.15	7	991	49.55	7	1503	50.10	7	1048	58.22	3
After Sales Service	2853	50.94	5	1357	52.19	5	1015	50.75	6	1518	50.60	6	945	52.50	6
Availability of Spare Parts	2735	48.33	7	1295	49.80	6	947	47.35	8	1011	33.96	10	671	37.27	8

Source: Computed from the Primary Data.

Table 1 reveals that the important factors that influence the sample respondents in the study area on the purchase of Maruti Alto include price, fuel efficiency, maintenance cost, resale value, and after sales service while the factors like brand image, availability of spare parts, model size and style, latest technology, and pick up and comfort occupy a secondary position. The price is the most influential factor and pick up and comfort is the least influential one in the choice of Maruti Alto. As far as the purchase of Tata Indica is concerned, much importance is given to fuel efficiency and less importance to the factor of pick up and comfort. It is clear that out of the 10 factors identified the most important factors considered by the sample car owners in the study area while purchasing Hyundai i10 and Ford Figo is price while the factor of pick up and comfort was given the last and least rank. Further, it is understood that as far as the purchasing of Mahindra’s Bolero was concerned, the

sample car owners gave much priority to brand image and least importance to latest technology. So, these ranking naturally lead to the conclusions that the price and fuel efficiency are the dominant factors influencing the choice of passenger cars by the sample car owners in the study area and the factors that are least considered by them are the pick up and comfort and latest technology.

IV. Summary And Conclusion

A dramatic change in the expectation of the customers and the competitive climate in the Indian Automobile Market have forced the car manufacturers or sellers to manufacture various innovative products to win the confidence and sustain the satisfaction of the consumers. Today, the consumers have a number of brands and variants of cars. Though there are a number of brands available in the market today the consumers select only a particular brand with the hope of drawing more satisfaction from the choice. But, before making the final choice, they consider a number of factors. A clear identification and thorough analysis of the various factors influencing the consumers' decision towards the purchase of particular brand of car alone would guide the manufacturers to develop and deliver the right product at the right time. The manufacturers or sellers must understand the factors that influence the choice of consumers. In this context, the present study is an attempt to identify and analyse the factors influencing the selection of a particular brand of car by the car owners in Madurai City. The results of the study show that the price and fuel efficiency are the dominant factors and the pick-up and comfort and the latest technology are the least and last factors that influence the decision of the passenger car owners in the study area.

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