

# Impact of Covid-19 on Buying Behaviour of Automobile (Cars) in India

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**Abstract:** Key performance metrics and demand are under pressure during this pandemic situation, all automobile producing companies came to a near shut down during this lockdown period. The industry has to bear the standing charges as well as most of them have started participating in social work and contributing to the health care, funding the hungry population, etc. This paper tried to focus on a different angle to find out the buying behaviour of the automobile customers of India post lockdown. Personal survey as well as interview method is adopted with open and closed questions. This generated significant estimation of the future purchasing decision of the prospective buyers and others for cars post lockdown. It is a search for the different impacts of COVID-19 on the buying behaviour of automobiles and the hidden causes for such behaviours. Though the companies see a gloomy sky, but the resultant of this paper can give them a different view, which will help them to enhance their sales by meet in certain requirements as recommended in this paper.

**Keywords:** Automobile sales, Lockdown, Buying behaviour, Social distancing

## 1: INTRODUCTION

### 1.1 About the Topic

Indian automobile Industry is the 5<sup>th</sup> largest manufacturer of cars in the world, in manufacturing of commercial vehicles India is the 7<sup>th</sup> largest in the world and in manufacturing of two wheelers India is the largest in the world. By 2026 India is expected to reach Rs16.2-18.2 trillion. Automobile sales in domestic market in financial year 2018 was 25 million but in the year 2019 the sales of automobile in the domestic market increased to 26.3 million. According to the data of Society of Indian Automobile Manufacturers (SIAM) there has been increase of 5% Marginal growth in the financial year 2018-2019 in the Indian Automobile Industry. Whereas in case of passenger vehicle there has been 2.7% growth in domestic sales in financial year 2019. However there has been seen 17.5% growth in commercial vehicles which the highest growth seen among all segments and exports of automobile and exports in the financial year 2019 was 4.6 million vehicles, by which exports grew to 14.5% in the financial year 2019, Compound Annual Growth was recorded 8.1% between financial year 2013-2019. And electric vehicles sales were 7.6 lakh in financial year 2019. Between April 2000 and March 2019 Foreign Direct

Investment (FDI) of \$21.4 billion have been received by Indian Automobile Industry. It is anticipated that India will become front-runner in the two-wheeler and four-wheeler market in the world by 2020 because of the initiatives taken by Government of India and major automobile players.

But due the outbreak of Covid19 from Wuhan, China has impacted all faced of the society as well as automobile industry. Because of the COVID19 all the automotive industries are shuttering and footfalls of consumer have fallen sharply. According to Society of India Automobile Manufacturers (SIAM) there has been a decline of 88% in sales of commercial vehicles and in case of passenger vehicle sales crashed to 51%. Because of the closing down Indian automobile industry is dealing with a loss of Rs.2300 crore every day in production turnover, according to (SIAM). All the Original Equipment Manufacturers in March 2020 observed a huge fall in wholesales because of the coronavirus lockdown. Because of the Novel Coronavirus in the month of March there has been disturbance in supply chain and production. The production of automobile will probably shrink to 8.3 percent in 2020 following an anticipated decline of 13.2 percent in 2019.

## 1.2 Literature Review

- 1) In The Economic Times on 24<sup>th</sup> March 2020, Mahindra and Mahindra managing director Pawan Goenka said in coming days everything will be shut down. These are unusual times and we need to conserve cash, and Mahindra is looking at multiple ways to deal with the situation. One really does not know when things will return to normal. But going by the experience of China, Korea and other markets, at least a month of business is likely to be disrupted. There will be a period of time when companies won't be generating revenue and there will be some level of fixed expense that will drain the P&L for everyone. Nobody is spared.
- 2) In The Economic Times on 24<sup>th</sup> March 2020, Crisil Research director Hetal Gandhi said-“Production shut down might continue well into the first quarter of fiscal 2021 staring April, as sentiment remained weak. We expect the Q1 to be a washout for the industry and we don't expect the market to recover in the next financial year. Given the environment, at best, passenger vehicles and two-wheelers may register flattish growth. However, commercial vehicles will continue to decline in the next financial year.”
- 3) In The Live Mint on 14<sup>th</sup> April 2020, Maruti Suzuki chairman R.C Bhargava said "there is a possibility of a car boom after the lockdown is lifted, as social distancing becomes a common practice. However the sales of the automobile will rise but it will surely take time”
- 4) In India Today on 1<sup>st</sup> April 2020, Shashank Kanodia an auto analyst at ICICI Securities said "The shutdown started only last week, so the fall is still steep even if

it is not comparable, if this is the trend, we can expect to be negatively surprised by all automakers."

### **1.3 Objectives of the study**

- 1) To find out people who were planning to purchase automobile will purchase it or not after the lockdown.
- 2) To find out impact on sales of the automobile industry after the lockdown and the reason behind it.
- 3) Estimate the percentage of people will prefer travelling by own personal car than by public transport after covid19.

### **1.4 Research Methodology**

#### **Research design:**

Exploratory research design method is being used.

Exploratory research design is focused on "recognition of idea", this design is used to define the problem precisely which is used to establish a better understanding before approach can be developed.

#### **Data Collection Method:**

Both primary and secondary data had been collected.

Primary Data: Questionnaires are being distributed among the prospective customers of automobile (cars). Personal interview method is also adopted.

Secondary Data: Data is also collected from articles, newspaper and from various sites on the internet.

### **1.5 Research Gap**

Many automobile industries and researchers are of the opinion that sales will not increase even after the lockdown without clearly mentioning the reason behind this. This research can be used to fill this gap. And since it is occurring right now in our country, not much research has been done on it.

### **1.6 Limitations of the study**

- 1) The respondents may not take the questionnaires seriously so it cannot be 100% accurate.
- 2) The mental state of the respondents may not be in a balanced / equilibrium state.
- 3) The findings are more of general findings rather than major findings.

- 4) The research could have been more intensive, had the time given for conducting the research was more.

## **2: CONCEPTUAL FRAMEWORK**

### **2.1 Impact of COVID-19 on Automobile Sector's Future Plans**

The outbreak of COVID-19 in India leads to decline in the sales of vehicles nearly 50% compared to previous year and brought production and dispatches to halt. Sales of the passenger vehicles dropped to 17.82% to 2.78 million units in the financial year 2020 as well as sales of commercial vehicles dropped to 28.75% to 717,688 units. "After the lockdown ends the automobile sector will not be stable for 12-18 months" – Ravi Bhatia president of JATO Dynamics said.

The Indian automobile industry was going to switch from Bharat Stage 4 (BS4) to Bharat Stage 6 (BS6) on 1<sup>st</sup> April 2020 but because of the outbreak of covid19 this has been delayed and Automotive industries have faced long term problems from manufacturing and as well as from the sales point.

According to SIAM because of the lockdown the Original Equipment Manufacturer (OEM) and component manufacturer will deal with a loss of Rs.2300 crore per day and 21 days shutdown will lead to loss in revenue of Rs.48,300 crore.

All the Automobile industries future events are being cancelled due to Covid19. The Geneva Motor Show 2020 has been cancelled, The Beijing Motor Show has been postponed and many other future events are being cancelled or postponed due to the outbreak of Covid19

### **2.2 Measures taken by Indian Automobile industries to tackle the effect of COVID-19**

#### **i. TATA MOTORS**

Tata Trusts donated Rs500 crore for the people who are affected by the coronavirus. Ratan Tata, chairman, announced that this money will help in providing medical kits, respiratory systems and other medical equipment for the patients. Tata group have pledged that Tata group will donate more Rs.1000 Crores.

#### **ii. MARUTI SUZUKI**

Maruti Suzuki India Limited came into alliance with Agva health care and they are manufacturing 10000 ventilators per month. Maruti Suzuki will also help in monetary support and they will provide services free of cost. And Bharat seats, Krishna limited and Maruti Suzuki are to manufacture over 20 lakh masks and protective clothing. Maruti Suzuki has delivered over 1,20,000 food packets for the underprivileged. Maruti Suzuki has also distributed about 10,000 dry ration kits to the villages. Maruti Suzuki has also

provided 16 garbage collection village vans and sanitized the villages in Manesar, Rohtak and even supplied masks and medical kits.

**iii. MAHINDRA& MAHIDRA**

Mahindra & Mahindra is manufacturing face shield masks in Pithampur, Madhya Pradesh, Nagpur, Maharashtra at their plants which will protect the eyes and face from the contact of liquids and compared to N95 respirators face shield is more efficient for medical workers and they will distribute these face shields to local police of Telangana and other organisations.

Mahindra & Mahindra are also manufacturing hand sanitizers to tackle the Novel Coronavirus.

Mahindra & Mahindra has also introduced emergency taxi services in Mumbai, which can be availed by single mothers, senior citizens for visiting to banks, hospitals and for other essential places.

**iv. HYUNDAI**

Hyundai auto motors have donated 7 crores in Prime Minister relief fund and 5 crore to Tamil Nadu relief fund. Hyundai also ordered 25000 testing kits for covid19 and the brand has given the testing kits to ICMR worth Rs4 crore so to get the track of Covid19 patients.

Hyundai also came into alliance with Air Liquide Medical Systems to produce 1000 ventilators.

**v. HONDA**

Honda Indian foundation have donated Rs11 crore to support the government in lowering of the Covid19 pandemic. Honda is also supplying food packets for the needy ones.

**vi. BAJAJ**

The Bajaj group has donated Rs100 crore for the relief of the Covid19 pandemic. Bajaj group is also providing food packets and shelter to the underprivileged communities of the society. The Bajaj group has also pledged to help the rural areas which is affected by the Coronavirus.

**vii. MERCEDES-BENZ**

Mercedes-Benz has promised to set up a hospital in Pune with 1500 bed isolation wards. The brand also pledged to help the underprivileged communities by providing food and cleaning kits for them.

### 3: DATA ANALYSIS AND FINDINGS

#### 3.1 Questionnaire Analysis

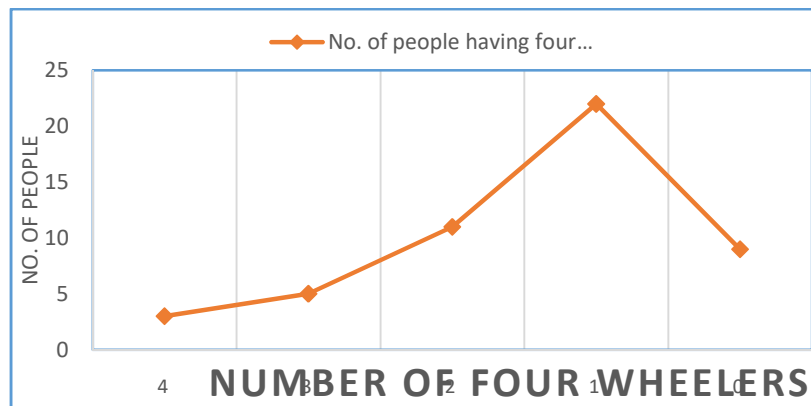
**Analysis is based on 50 respondents** -Out of 50 respondents the following is the breakdown of no. of respondents as per their age group.

Age group	Number of Respondents
18-25	10
26-32	31
33-39	7
40 above	2

INFERENCE- According to this survey majority of the respondents (31) are between 26-32 age group. And out of 50 respondents 39 responses are from male and 11 responses are from female.

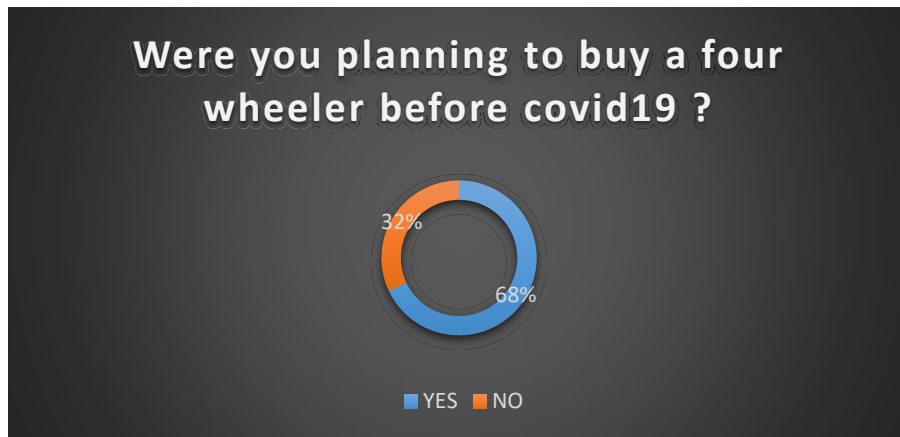
MALE	FEMALE
39	11

#### Question 1. Number of four wheelers you have.



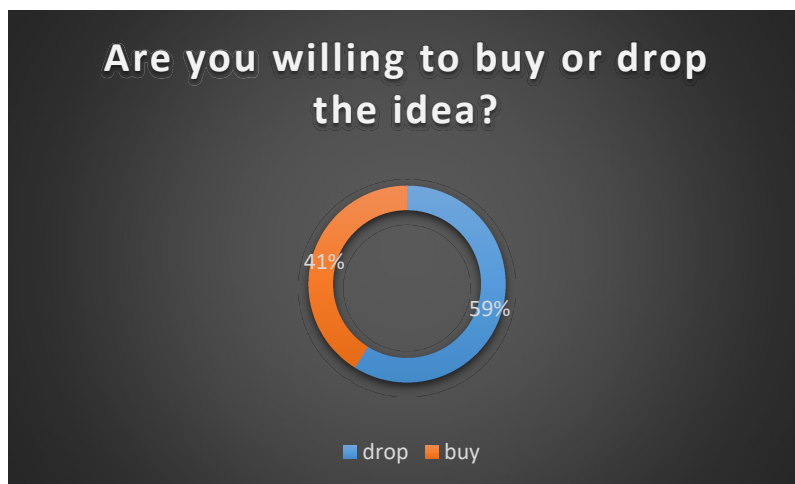
INFERENCE- According to my survey majority of respondents i.e. 22 respondents have 1 four wheeler vehicle, 11 respondents have 2 four wheeler vehicle, 5 respondents have 3 four wheeler vehicle and 3 respondents have 4 four wheeler vehicle and 9 respondents have 0 four vehicle.

**Question 2. Were you planning to buy a 4 wheeler before covid19?**



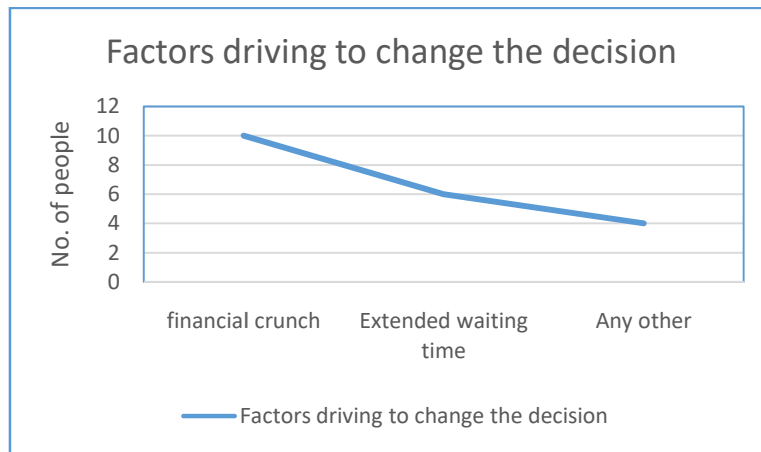
INFERENCE- According to my survey 68% of respondents were planning to buy a four wheeler and 32% of respondents were not planning to buy a four wheeler vehicle.

**Question 3. If yes are you willing to buy or drop the idea?**



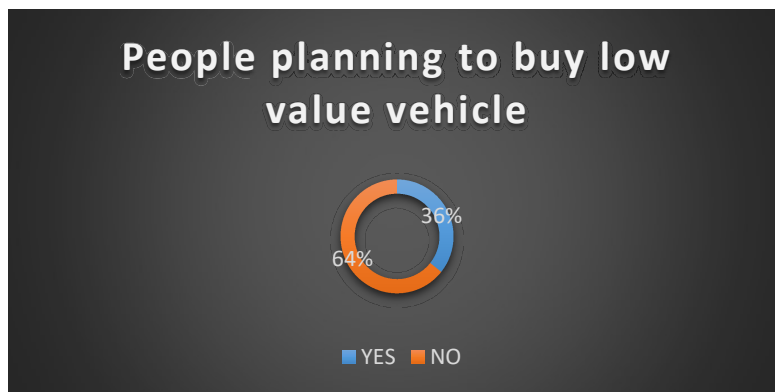
INFERENCE-According to this survey 59% respondents will drop the idea of buying an automobile and 41% respondents will stick to the idea of buying an automobile.

**Question 4. What are the factors driving you to change the decision?**



INFERENCE- According to this survey 10 respondents are not planning to buy an automobile because of financial crunch, 6 respondents are not planning to buy because of extended waiting time and 4 respondents are not buying because of any other reason.

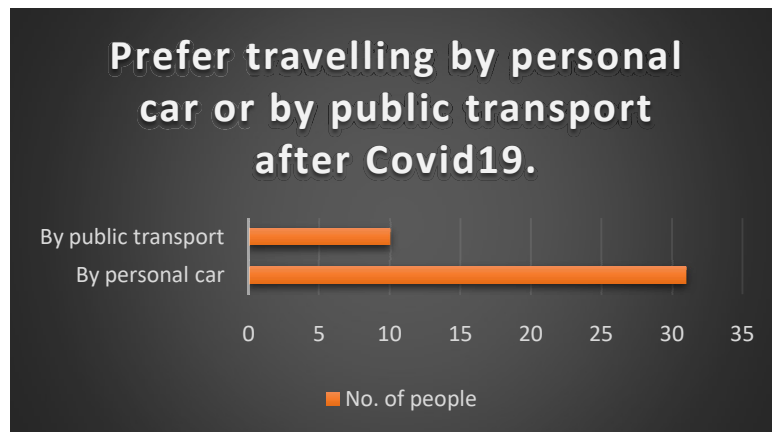
**Question 5. Are you planning to buy low value car than you decided before covid19?**



INFERENCE- According to this research 36% respondents are planning to buy low value vehicle and 64% respondents are not planning to buy low value vehicle.



**Question 6. Would you prefer travelling by your personal vehicle or by public transport after the covid19?**



INFERENCE - majority of respondents i.e. 31 respondents will prefer travelling by their own vehicle and 10 respondents will prefer travelling by public transport.

### 3.2 Major Findings

1. According to the survey, majority of the respondents have four wheeler.
2. Before the outbreak of the Novel Coronavirus 68% of the respondents were planning to purchase a four wheeler, either another new keeping the old one or by disposing the old one.
3. Before the outbreak of Corona virus those 68% i.e. 34 respondents who were planning to purchase an automobile, during the lockdown will drop the idea of purchasing an automobile because of financial crunch, extended waiting time or due to other reasons.
4. Respondents who are planning to purchase an automobile after the lockdown, out of 34 respondents 5 of the respondents will buy a low value vehicle than expected.
5. Due to the pandemic and it's after effect, 31 four wheeler owners refuse to travel by public transport.

## 4: RECOMMENDATIONS AND CONCLUSION

### 4.1 Recommendations

- Knowing that the consumers will fear to travel outside, the marketers in this sight should come up with online portals of the brand. The portals should make it possible for the consumers to not only view the cars properly but book it and carry out all

necessary requirements easily and in a simplified manner. Also since the company is offering online portals they must ensure strict security to avoid any problems.

- Companies can also start after sale services through online facility. Where the car can be catered to the consumer's door steps on booking a slot online. This will be helpful for the people who are planning to drop the idea because of extended waiting time. Brands like MG, Hector and Mercedes-Benz came up with online portals where people can view the car and even buy it.
- For the people who are going to drop their idea because of financial crunch for them automobile industries should respond either by price cuts or by giving discounts to the customers
- Automobile Industries should extend their warranty and free maintenance.

## 4.2 CONCLUSION

Due to the pandemic Covid19, all the automobile industries are slowing down and sales are declining, some companies even had zero sales in India. People who had initially planned to purchase automobiles are planning to drop the idea due to the financial crunch, extended waiting time or for other reasons. Customers who are planning to drop the idea because of financial crunch have two options i.e. either to purchase a low value vehicle or to completely drop the idea. According to this survey most people will prefer travelling by their own vehicle rather than by public transport. Maruti Suzuki chairman R.C. Bhargava said "after the lockdown is lifted there might be car boom because as social distancing became a common practice, people might purchase new vehicles. This also adds to the idea of decrease in purchasing used vehicles. However, the sales of the automobile industries will increase but it will surely take time.

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