HOW INDIAN CONSUMERS NAVIGATE THE CAR BUYING JOURNEY

A GLIMPSE INTO CAR PURCHASING PATTERNS IN URBAN INDIA

BY: SUBHASH CHANDRA, EXECUTIVE DIRECTOR, NIELSEN INDIA

• 48% OF CONSUMERS SAY THEY SEARCH FOR INFORMATION ONLINE BEFORE VISITING OR CONSULTING ANY OFFLINE MEDIUM

• 87% OF THE CONSUMERS RECONSIDER ONE PURCHASE DECISION FACTOR (BRAND, MODEL, FUEL TYPE, BUDGET, COLOUR ETC.) AT THE TIME THEY BUY

• SALES STAFF AT SHOWROOMS CAN HEAVILY INFLUENCE (73%) LAST MINUTE CHANGES IN DECISIONS AND GUIDE CAR BUYERS’ CHOICES

Today, India’s auto sector is among the top 10 automotive markets in the world and is poised to grow as income levels continue to increase and finance becomes easily available. While the market has been sluggish overall and produced very few individual successes, most manufacturers are looking at India as the next big hub. The potential is high because car penetration is low compared to other countries.
We recently conducted a survey to decode Indians’ car purchase patterns, specially the behavioural aspects. To do so, we looked at the purchase journey as a whole from the initial search to the final buy. The consumer’s first step once the need is triggered, is searching for specific information.

While word-of-mouth remains one of the most important sources of information (used by 96 percent of consumers), other trends are also gaining traction. Almost half of the consumers are now following the Research Online, Purchase Offline (ROPO) method. Forty-eight percent of consumers said they searched for information online before visiting or consulting any offline medium.

Of late, the Internet even plays a role in consumers’ other information sources - including word-of-mouth. A large part of shoppers’ conversations and discussions between family and friends is now online.

During online searches, “technical specifications” topped the most searched information list; “car comparison” and “expert reviews” were the other key details sought online. Consumers also compared different cars they were considering and read expert reviews for their intended purchase.

Offline, 39 percent visited the dealership and 36 percent spoke to their local car mechanics for getting more information about vehicles.

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>CARS (PER 1,000 POPULATION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>27</td>
</tr>
<tr>
<td>U.S.</td>
<td>453</td>
</tr>
<tr>
<td>Germany</td>
<td>565</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automobile Manufacturers (SIAM)

48 percent of consumers say they search for information online before visiting or consulting any offline medium.
MANUFACTURERS NEED TO LOOK AT THE LOGICAL EXTENSION OF BEING MORE ACTIVE ONLINE. ONE OF THE JAPANESE AUTO MANUFACTURERS IS PLANNING TO KICK START ONLINE BOOKINGS IN INDIA WHERE SHOPPERS CAN BOOK THE CAR ONLINE BY MAKING A PAYMENT AND THEN COLLECT IT FROM A NEARBY DEALER.

THE DECISION MAKERS

After collecting information from all sources, 43 percent of consumers reported making their final decision on their own while 33 percent said they consulted their spouses and close family members. This mainly reflects men’s decision-making habits—they’re more likely to make decisions on their own (53% vs. 25% for women) while women are more likely to ask their spouse and family members (48% vs. 24% for men). However, the number of women buyers is growing, especially in the luxury segment. A report by car manufacturer Mercedes noted that more than 5 percent of its buyers in India are women.

All figures in %
Source: Nielsen
The increase in women buying cars could reflect the growing female working population and lifestyle changes. This clearly indicates that women car buyers are the next segment that marketers need to focus on and highlights the importance of understanding gender-based automotive needs.

THE LAST MILE SWITCH

While most marketers think that the car shopper decides to buy a car before visiting the dealer, consumers aren’t as predictable as we think.

Buyers can always be influenced—right up to the last moment of their purchase. Three out of five shoppers said they had finalised their decision on the model, brand and fuel type before visiting the showroom. However, when the time came to make their final purchase, a considerable number of consumers change their minds. A third of buyers who said they’d decided about fuel type, changed their decision after talking to the salesperson, family and friends.

And it’s not only fuel type decisions that consumers change—44 percent changed even the car model they were thinking of buying! In fact, our studies show that car buyers also look at models that they had not even initially considered.

FACTORS CHANGED FROM INITIAL PLAN

<table>
<thead>
<tr>
<th>Factor</th>
<th>Change (%)</th>
<th>No Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model/Variant</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>Brand</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>Fuel Type</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Budget</td>
<td>87</td>
<td>13</td>
</tr>
<tr>
<td>Colour</td>
<td>87</td>
<td>13</td>
</tr>
</tbody>
</table>

All figures in %
Source: Nielsen
THE SHOWROOM FACTOR

The key factor driving consumers’ choice changes is the interaction with the salesperson at the dealer showroom. We found that most of the shoppers who sought the salesperson’s advice were not satisfied with their knowledge related to the car’s features or their comparison between two or more of the cars they considered.

A FAMILY AFFAIR

Buying a car in India remains a family affair. Almost all respondents we spoke to were accompanied by their spouse or another family member. This is likely a method of re-affirming that their intended decision is right.
THE BUYING CYCLE

So how long does this all take? More than 90 percent of car buyers spend less than three months to decide, finalise and make the final purchase. Seventy-five percent of consumers buy a car just after visiting three or less dealers. Out of them, 32 percent purchase one from the first dealer they had visited. Most consumers decide and purchase a vehicle from either the first or second dealer that they visit.

While the final purchase ends the consumer’s car buying journey, it marks the start of their journey with the car. And when it comes to actual usage, 40 percent of consumers said they use their car more than they had planned for before buying it. And amongst those who use it less, the key reason was not fuel price but traffic jams!
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ABOUT NIELSEN

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