### **Deloitte.**

Driving through the consumer's mind: Steps in the buying process

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### Key terms

Gen X

Born between 1965 – 1976 in the age of 37 to 48 years

#### Gen Y

Born between 1977 – 1994 in the age of 19 to 36 years

#### ΟΕΜ

Original equipment manufacturers

### Introduction



The passenger car market, after a period of slow and no growth, seems to be showing signs of turning around. Based on the encouraging growth numbers, automotive manufacturers are counting on the general mood of optimism to see the sales change gears and accelerate.

A few months ago we published a report "Driving through the consumer's mind: Considerations for Car purchase" where we covered the purchase triggers and considerations. This report is based on the responses of over 1500 car-owners from India (out of the 1800) who participated in our Global Automotive Survey. This was a part of a global initiative where we surveyed over 23,000 people in 19 countries. In this report we cover the buying process - the information buyers look for, the time they spend researching, their choice of information sources, interactions with dealers and their openness to recommend products to others.

While the sample includes rural customers, it has a significant presence of urban customers, given the pattern of car ownership in India. Further, the sample may not represent the various brands proportionate to market share those brands may enjoy. Though we have

attempted to cover a large cross-section of consumers, this random sample may have limitations of representing all the strata of car owners or car buyers. Please refer to the Appendix-1 for details of the respondent profile.

While analysing data or drawing inferences, we have taken only statistically significant data into consideration. As true to most surveys, the analysis presented in this report may be taken as directional in nature and may not accurately reflect the realities relating to a brand, customer category, etc. The reader is advised not to take the conclusions or the inferences drawn as professional counsel or assume these to be premises on which they would make decisions.

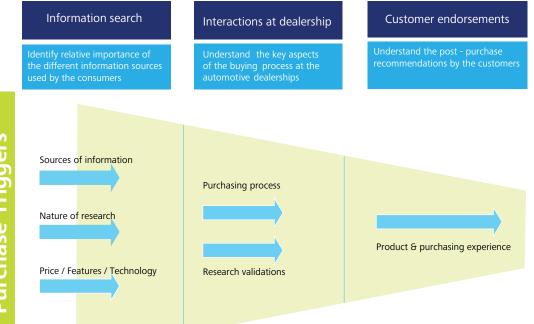
We hope that this report will help provide additional perspectives to OEMs in devising their marketing strategies to drive future growth.

### About the study

The analysis presented in the report essentially comes from primary research and attempts to answer the following:

- 1. What is the information the buyers may be looking to gather to make their decision about the car they would buy?
- 2. What is the time and effort spent in the process? What are the information sources used by consumers? What is the relative importance of the information sources?
- 3. How important is the dealer visit?
- 4. How much do the customers recommend their or other products to their circle of friends and relatives?

We have attempted to answer the above questions as per the consumer purchasing process illustrated below:



**Purchase Triggers** 

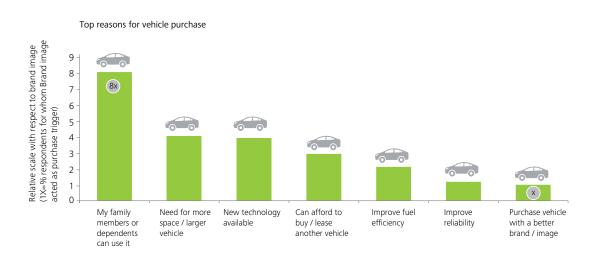
# Purchase triggers



### Purchase triggers

We have summarized the findings of the previous report on "Driving through the consumer's mind: Considerations for car purchase". In this section we remind the readers of the reasons that trigger the car purchase process.

#### First - time buyers

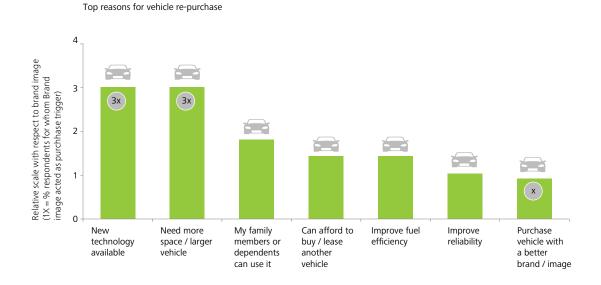


Unlike the developed markets where a car is bought to cater to an individual's requirement, the Indian first-time car buyer primarily looks at buying a car for his family. Contrary to the popular belief that the car buyer is motivated by the opportunity to make a statement of success, it is interesting that this is a very rational and practical requirement. Given that the first time buyer has really no comparable reference, it is natural that this buying decision is not influenced by the 'improvement of fuel efficiency' factor.

Respondents from both Gen X and Gen Y categories have expressed similar requirements for their first car, irrespective of their gender. Family need is rated as the top trigger in purchase decision of a car, and is 8x more important as a trigger than better brand image.

#### **Repeat buyers**

Technology and need for more space are rated as the top triggers in purchase decision of a car, and are 3x more important as a trigger than better brand image.



Unlike the first-time buyer, a repeat buyer understandably aspires to upgrade, going by the reasons cited by the respondents. In their case, a more sophisticated product is the primary requirement. While most purchase drivers were common across the repeat buyers, the responses given by Gen X and Gen Y presented an interesting mix. While technology stood out as a ruling factor for Gen Y, Gen X gave precedence to larger space requirement. This trend held true irrespective of the respondent's gender. Interestingly, Gen X male alone have rated 'can afford to buy' as a reason ahead of the utility for family members, thereby, suggesting their desire to use the car as a statement of success.

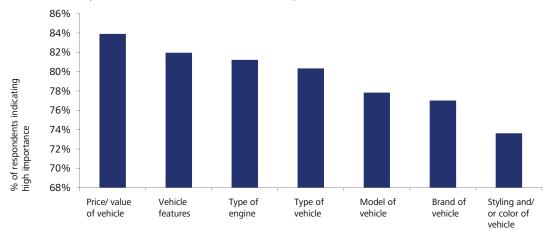
On the basis that the buyer has very rational reasons to acquire a car, we will explore the process they go through in doing the same.

# Information search



### What aspects do the consumers consider for research?

Having made the decision to make a purchase, we cover the nature of information the buyer seeks to collect for deciding on the final purchase.



Impact of factors on the decision of which vehicle to purchase

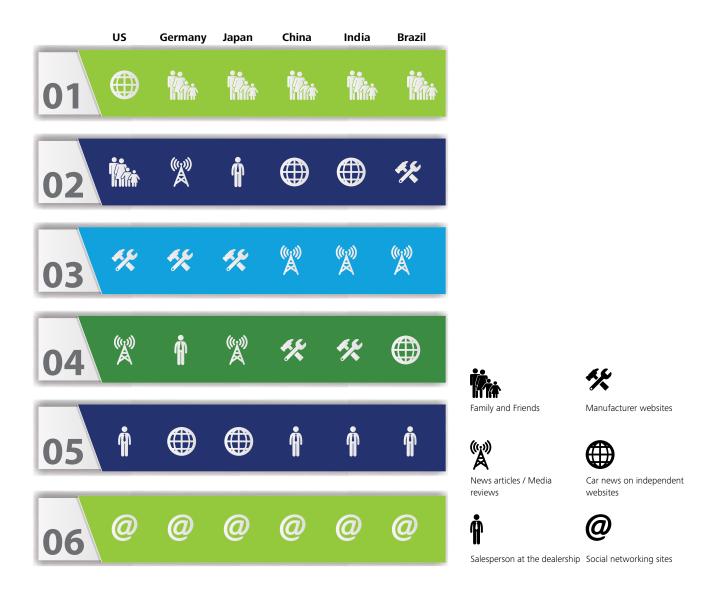
Note: Type of vehicle refers to Hatchback/ Sedan/ SUV etc., while model refers to brands of vehicle offered by various OEMs.

The fact that price/ value and features are primary filters reiterate the conclusion that the buyer makes objective choices right from the beginning of deciding to buy to making the actual purchase.

This survey also seemed to suggest that the car buyer has the impression that he/she can identify a mobility solution that can uniquely satisfy his/ her requirement. That said, as is widely believed, the price point is amongst the early, if not the first, issue of consideration.

# What are the information sources?

Consumers give a lot of importance to the perceived independence of the views about the cars in the consideration set. This is observed to be a common aspect across key automotive markets.



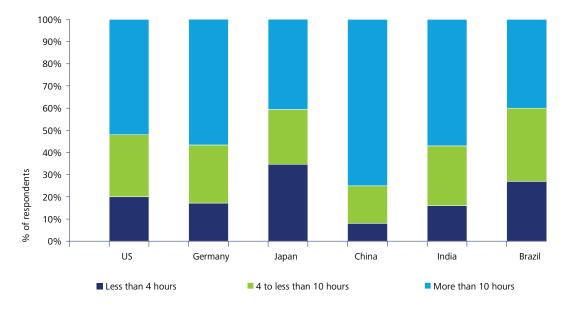
While social media strategy is high up in the priority list for manufacturers, the customers seem to attach the least importance to what they get out of the social networking sites.

Old-fashioned, word-of-mouth reference is the most important source of information. While there is a lot of

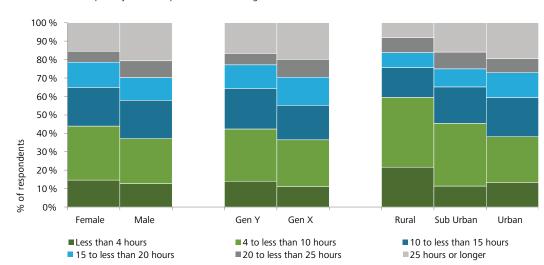
emphasis placed on the sales persons by the dealers and OEMs, the influence they have on the decision making is minimal. This reiterates the importance of keeping the buying and ownership experience pleasant for the customer, so as to build credibility when the same customer is in the market to buy a replacement car.

# Time spent on exploring the available options

A majority of customers devote considerable amount of time (more than 10 hours) to identify the best vehicle for their requirements both in developed and developing nations.



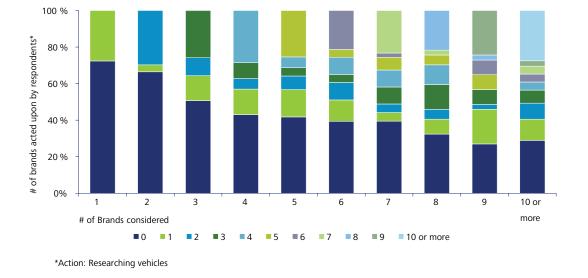
Time spent for researching possible vehicles



#### Time spent by Indian respondents conducting research about vehicles

Around 50% of respondents (across age, gender, as well as location) spend more than 10 hours researching possible vehicles. Male respondents tend to spend more time on researching possible vehicles compared to the female respondents. Similarly, Gen X respondents spend more time on researching possible vehicles than the Gen Y respondents. It becomes important for manufacturers to provide the information that these buyers seek in the time frame they seem to be comfortable spending.

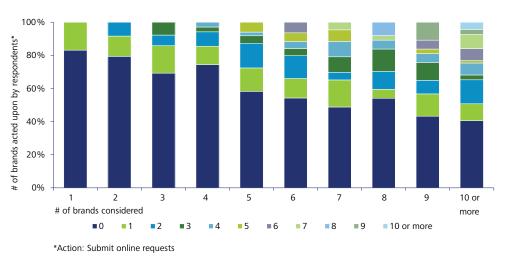
It is interesting that the buyers do not research all the brands that they may be considering. It could be that they have some views of the brands that they do not research or that the number of brands in the consideration shortlist gets determined early in the search process.



Respondents conducting research about brands of vehicles

Typically less than 20% of the customers conduct research about all the brands they have in their minds as part of consideration set for purchase. This has an

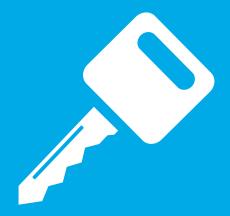
implication to the manufacturers, as the elimination of brands and number of dealer visits seems to be decided at this stage. More than 50% of people considering 3 or lesser brands for purchase do not research for even a single car brand. It is also observed that Gen X and Gen Y respondents show similar trends in the context of brands researched. This would seem to suggest that these groups of buyers are reasonably clear about what they are considering and also have information on those brand options.



Respondents submitting online requests

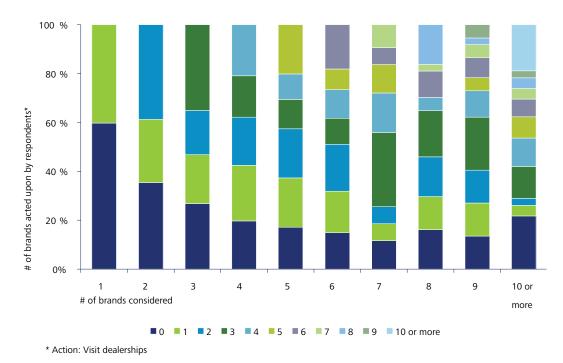
Consumers prefer to conduct research on their own such as by searching internet and reading reviews. Very few consumers use internet to connect with dealers during the research phase for quotes or information. It is also observed that Gen Y respondents use the online medium marginally more than the Gen X respondents. While it can be argued that the number of on-line requests will increase with greater penetration of the internet, at this time it is not a preferred information source for the customer.

# Interactions at dealership



# What do the buyers want when they come visiting?

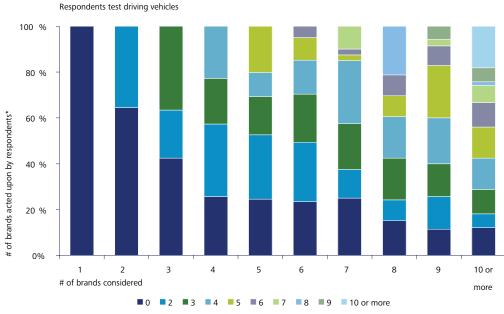
While the buyers don't reach out to the manufacturers or dealers for information through their websites, they tend to visit dealerships to validate their findings from the research.



Respondents visiting dealerships

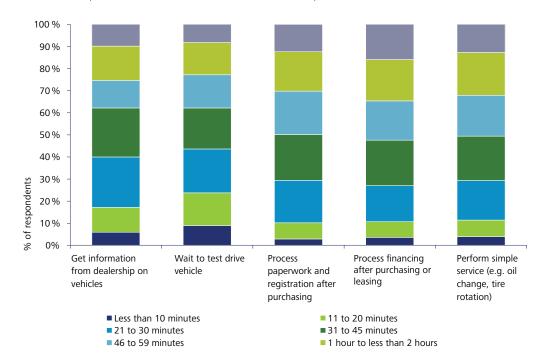
It is also true that not all respondents go through the research phase but depend on dealerships to collect information on cars as well as validate information about

competitor products. Gen X tends to visit the dealerships more than the Gen Y respondents. Clearly, touching and feeling is an important part of the buying process.



\* Action: Take test drive

More than 70% of buyers visiting dealerships take a test drive, indicating that test drive is a key activity in the dealerships to facilitate the decision making. The greater the number the products being considered, the higher is the tendency to go through test drives. In fact, those considering just one option do not go through the test drive at all.

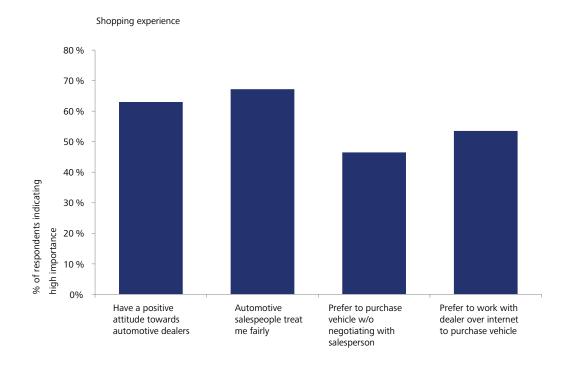


#### Acceptable amount of time for various activities at dealership

Unlike the research stage where customers spend 10 hours, more than 50% of them desire to spend less than 45 minutes for dealership visit and test drive. It indicates that bulk of the information gathering is done outside the dealerships.

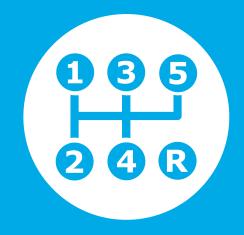
At the end of the dealer visits, there seems to be a reasonable amount of goodwill that dealers generate.

While the notion that the dealers are not a credible source of information is valid, it must be acknowledged that the interactions at the dealerships seem to be viewed positively by the customers. This may be an opportunity for dealers to build a way by which such a potential buyer becomes an active endorser of the product, if not the owner.



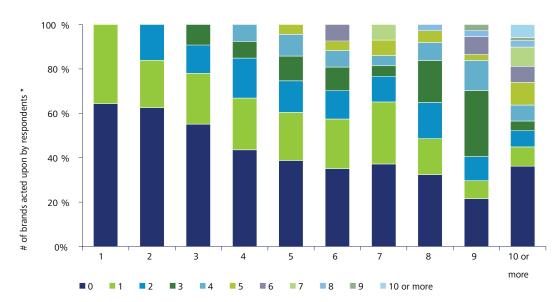
Given the short time that the buyer is willing to spend at the dealership, being efficient with the processes may endear the dealer to the potential customer.

## Customer endorsement



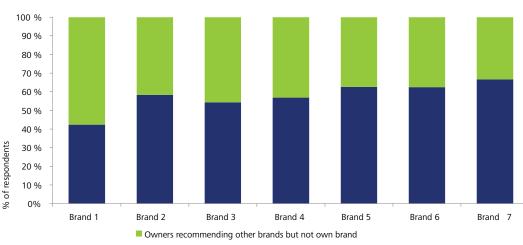
# What role do consumers play post-purchase ?

A very interesting aspect that emerged was the readiness with which customers endorse products to their friends/relatives. Surprisingly, they seem to even recommend products that they did not buy. This suggests the importance of the lost customers – both from their enthusiasm to endorse products and also from the fact that the word-of-mouth is an important influencer in the buying process.



Respondents recommending vehicles to others

Recommending vehicles to others is a major activity as part of the respondent purchasing process. More than 50% of respondents who consider 4 or more brands recommend at least 1 brand; and more than 40% of respondents considering 3 brands recommend at least 1 brand to others which is different from the brand that they own.



Recommendation of own brands to others

Owners recommending own brand amongst others

### Conclusion

The Indian car buyer is quite rational when looking to buy a car, was established in the previous report. This buyer looks for value and features.

Some of the key considerations for the OEMs are

- As the young buyers tend to spend less time, it is important to provide them information through the sources that they trust to get into their consideration set. It is apparent there is a clear hierarchy of information sources in terms of credibility and the manufacturers may want to direct their promotional budgets suitably. Further, it is also clear that the dominant social media presence alone is not sufficient to win customers
- It is apparent that the number of products in the consideration set determines the buying process of the customer. It may be important for the manufacturer to think of different ways to stay in consideration. Therefore, it may be worthwhile to understand

what the buyer is considering and how much time has already been spent on the buying process to determine the probability of closing the sale

- Focus on reference from existing customers. Given the influence they can have over their friends/ relatives, getting them to be the brand ambassadors would be of critical importance
- Lost customers may be recommending the brand. Therefore, continued engagement with a lost customer even for a short time is likely to be profitable
- It is clear the dealership represents limited influence in the buying process and the customers desire to spend limited time there. Therefore, the way to endear to the customer is to be highly efficient about the processes. Further, it is important to be on the final shortlist by the time the buyer is ready to test-drive.

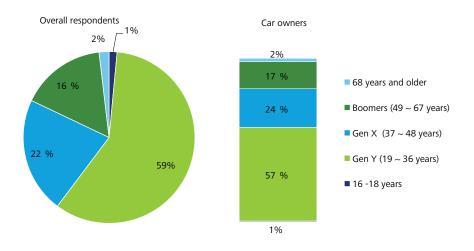


# Appendix



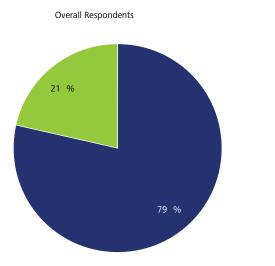
### Respondent profile

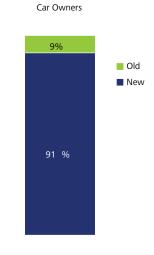
#### By respondent age



Overall, 1813 respondents were a part of the survey, of which 1066 respondents comprising  $\sim$  59% of the survey population belong to Gen Y, while  $\sim$  22% belong to Gen

X and 16% belong to the "Baby Boomers" segment. The four-wheeler owners also show a similar age profile.





In the overall population almost ~ 79% had purchased new vehicle during their last purchase. In the sample related to car owners, ~ 91% had purchased a new car during their last purchase. In the context of the above, all the analysis and conclusions in the report are aligned to behaviour exhibited by consumers during new vehicle purchase.

#### By used vehicles vs. new vehicles

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