

In the fast lane

Understanding buying trends during
the festive season



Foreword

The festive season has always been a crucial period for the automotive sector in India. With the pandemic-induced slowdown in buying decisions, as well as a marked lull in production due to a shortage of semiconductors, this festive season is expected to witness an uptrend in passenger vehicle sales.

While the passenger vehicle (PV) sales in the first half of financial year (FY) 2023 have displayed an upsurge of **34%** vis-à-vis previous year, the year-on-year (y-o-y) increase in sales for September has witnessed a remarkable **92%** uptick. Even with the last year's lower base, the growth is indicative of the positive consumer sentiments around festive season purchases.

Grant Thornton Bharat conducted a survey to examine the factors which drive PV sales as well as vehicle preferences amongst consumers this festive season. This report analyses the survey results and is aimed at highlighting consumer sentiments, attributes that impact customers' buying behaviour and their readiness to switch over to the new dynamics, the industry has to offer.



About the SURVEY



Grant Thornton Bharat conducted a survey to understand consumer behaviour, vehicle preferences, impact of discounts and factors driving sales this festive season. More than 4,000 respondents, across age groups and occupations, participated in the survey released across digital channels.

Executive summary

The automotive industry has been through ebbs and flows over the last two years. The pandemic, coupled with an acute semiconductor shortage, altered the growth trajectory for both vehicle demand and supply. As we gradually leave the pandemic behind, the festive season sales in the PV segment are witnessing a resurgence.

Delving into survey results, one of the pertinent trends visible in the PV industry is the growing affinity towards utility vehicles (UVs). Additionally, there has been an increased preference for hybrid and electric vehicles (EVs). With the recent launches and a plethora of options set to be launched soon, this trend is good news for EV producers.

Another key aspect is consumer inclination towards premium models and vehicle features. Vehicle feature/design is the first factor considered by a majority of consumers (35%) while making a purchase and almost **one-third of our participants are willing to pay a higher price to swap their vehicle for a premium model.**

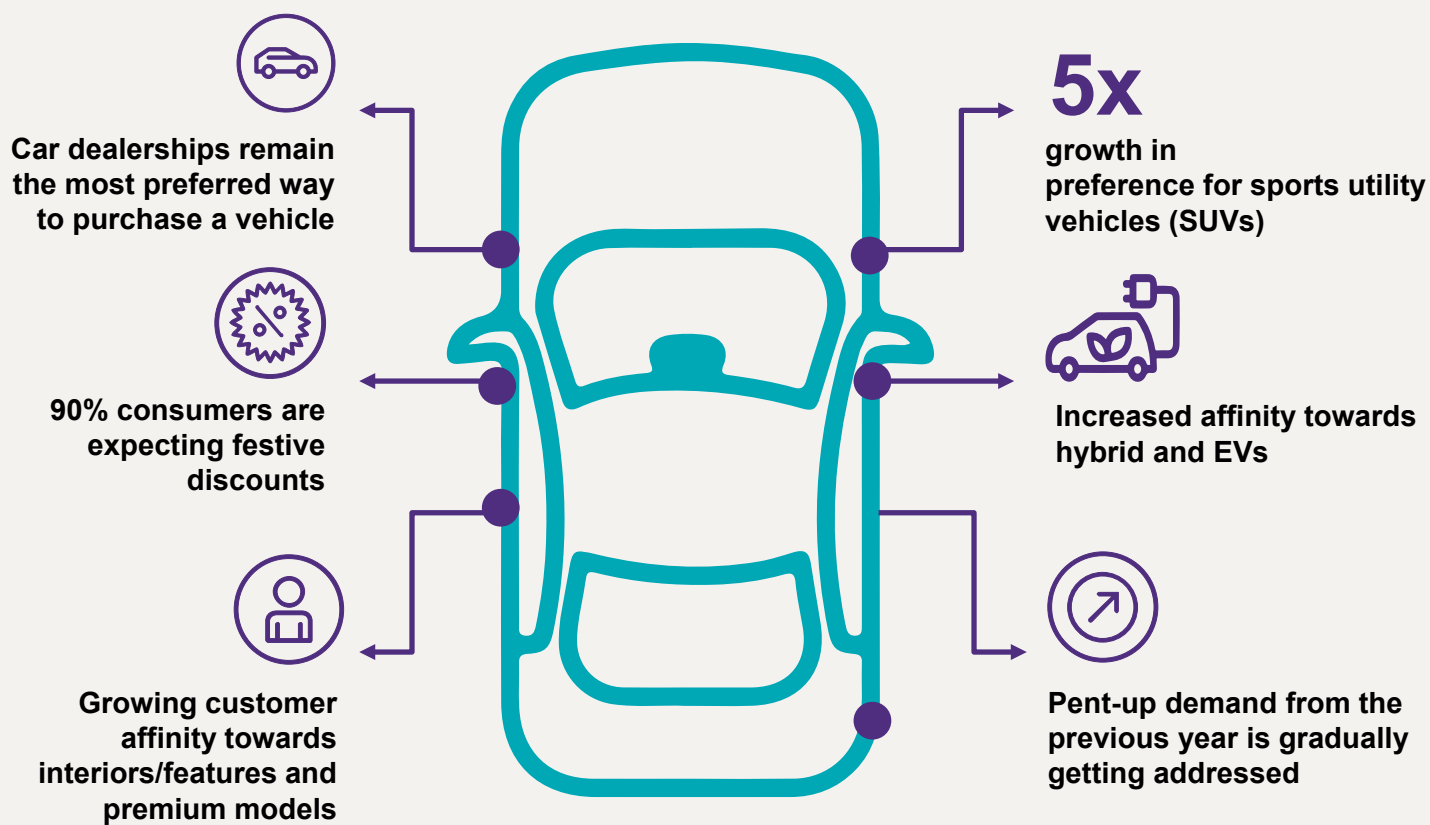
This is a new trend for a price-sensitive market such as India.

With respect to discounts, there was a substantial drop in discounts offered by OEMs in the festive season last year, attributed to the increased cost pressure on account of shortage of semiconductors.

As the supply chain constraints ease up, select original equipment manufacturers (OEMs) are back with festive discounts, but there is still a gap between customer expectations and discounts offered.

With consumers relying on **loans for financing new vehicles despite an increase in EMI costs** on the back of high repo rates, there is an increased enthusiasm for festive buying, even if it comes at a little extra cost.

Key survey highlights



“

With a 34% y-o-y growth in vehicle sales in H1FY23, the PV industry is gradually resurging from the pandemic. Ease in supply chain, marked improvement in demand propelled by post-pandemic festive sentiment and the need for personal mobility are driving the sector, according to our survey findings. There is also an increased affinity towards electric and hybrid vehicles, suggesting that the industry is on the cusp of disruption, led by EVs and alternative fuel sources.



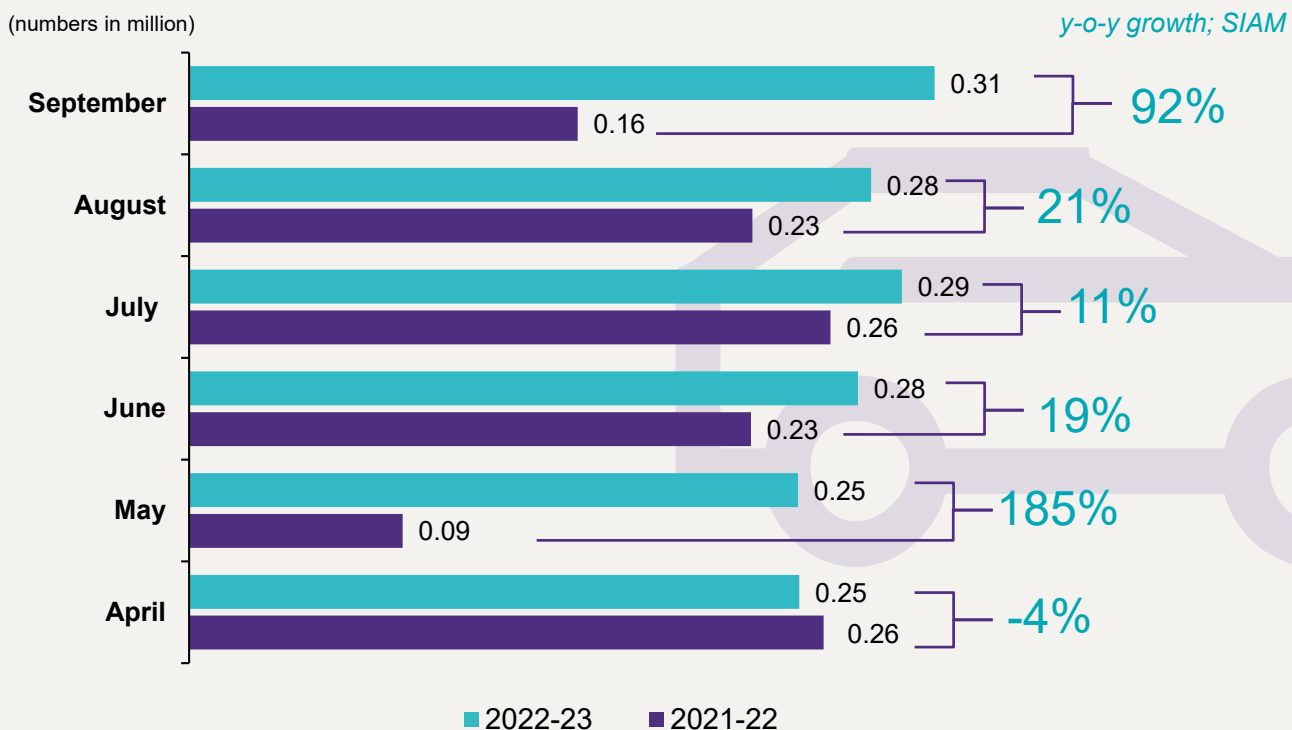
Saket Mehra

Partner and National Sector
Leader, Automotive
Grant Thornton Bharat



Passenger vehicle sales analysis

The Indian auto industry has been witnessing an increase in customer base during festivities. However, the last two years were an exception owing to the pandemic. As the industry enters the first post-pandemic festive season, there has been a remarkable 92% y-o-y increase in domestic sales of passenger vehicles for September 2022. Though this number is marginally inflated owing to a lower base, the greater sentiment indicates a growth in the PV industry. Here is a closer analysis of first half of FY23 PV sales indicating a continued upward trend.



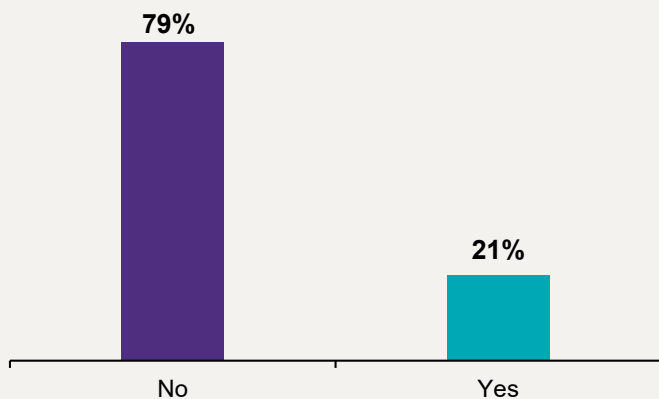
24% uptick in PV sales in
September 2022 as compared to
September 2019 (pre-pandemic numbers)

This strong growth in domestic sales is buoyed by an increase in demand (due to unfulfilled/pent-up demand accumulated over the last two years), new vehicle launches and an increased need for personal mobility as we leave the pandemic behind.



Consumer buying trends

Have you booked a passenger vehicle in the last quarter?



Of the people who have booked a passenger vehicle in the last three-four months, **60%** are expecting delivery by October 22, while **40%** expect delivery between November-December 2022.

Ease in semiconductor supply has improved supply chain and has also led to reduced waiting periods.

What kind of a car do you plan to buy?



5X
increased preference for
SUVs vis-à-vis last year

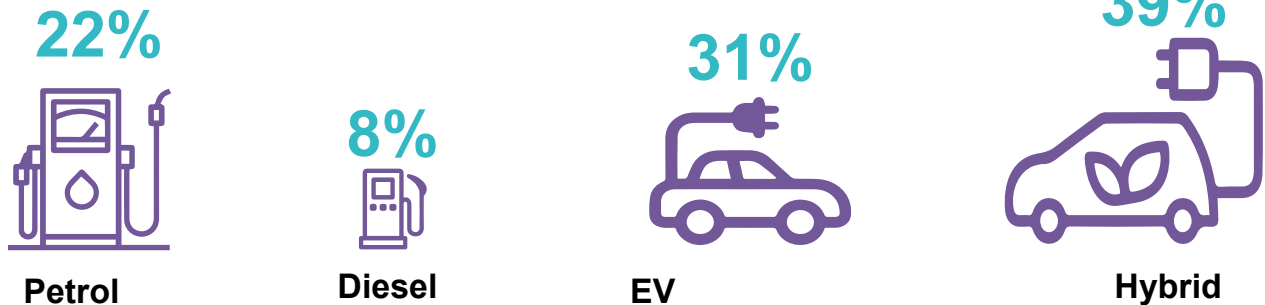
While there has been a **30%** y-o-y increase in production for PVs (across segments) in H1FY23, **production of UVs has witnessed an uptick of 35%** for the same period (y-o-y H1FY23).



Consumer buying trends-

Analysis with previous year

What type of vehicle would you prefer to buy?



Change in preferences vis-à-vis 2021

Preference for petrol cars has **reduced by**

48%

Preference for diesel cars has **reduced by**

27%

Preference for electric cars has **increased by**

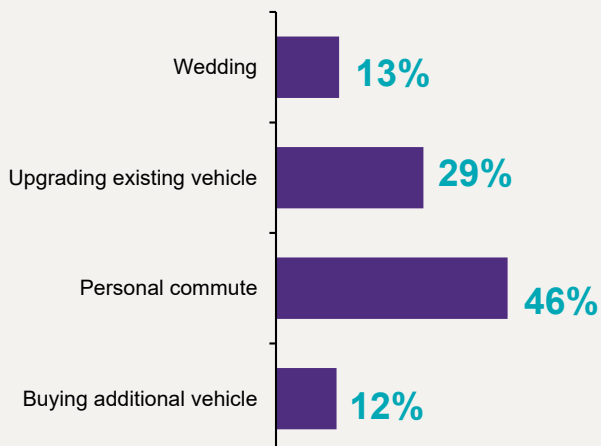
46%

Preference for hybrid cars has **increased by**

62%

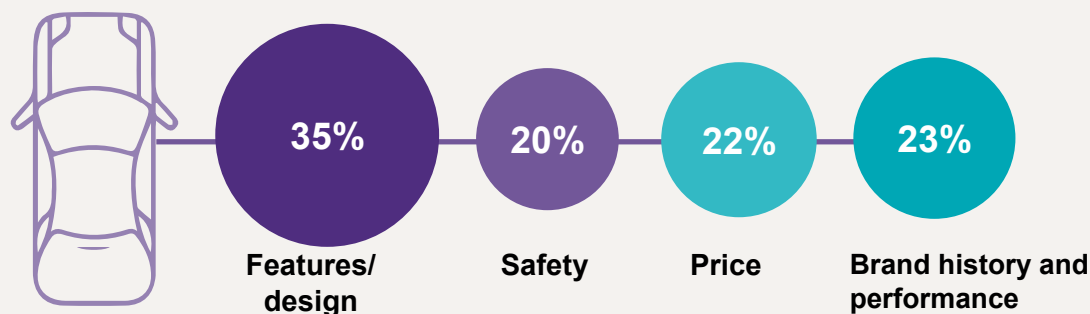
With new and upcoming launches in EV and hybrids, the upcoming year is expected to drive the transition towards e-mobility at an accelerated pace

What is the reason for buying new vehicle?



Weddings as the reason for buying new vehicle has experienced **three-times** growth vis-à-vis the previous year, as the first post-pandemic wedding season is around the corner.

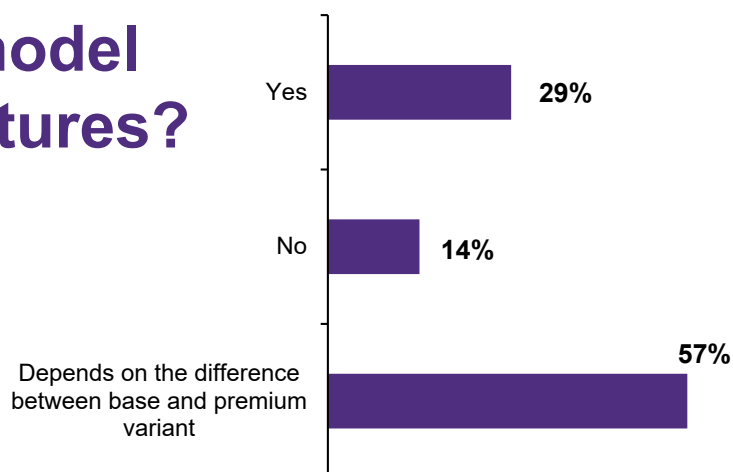
What is the first thing that you look for in a car?



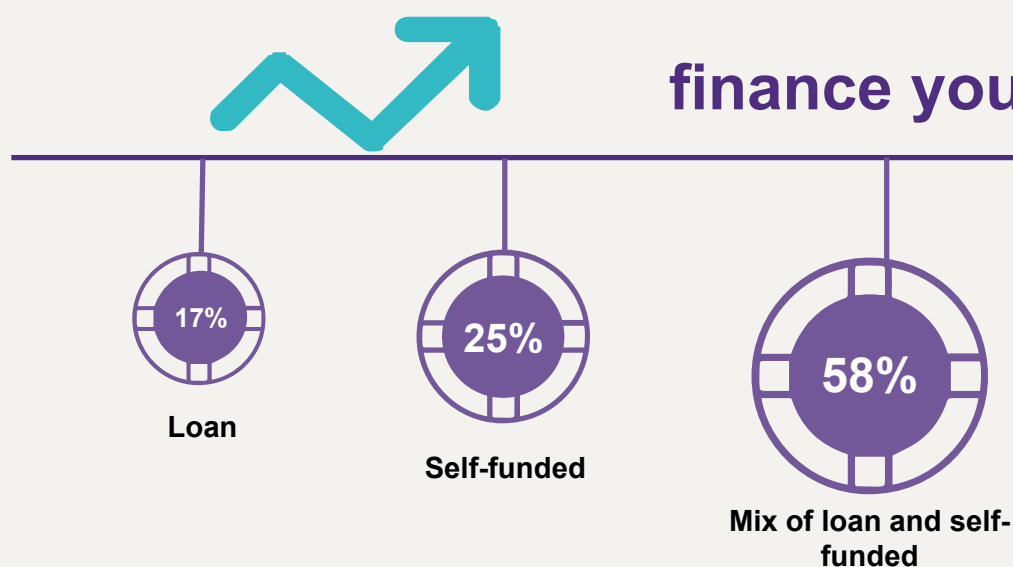
As vehicle features/design stands out as one of the first thing that attracts customers, OEMs are digitally transforming their design cycles (with technologies such as internet-of-things (IoT) and 3-D printing) to augment vehicle design/features with each upgrade. This aids in keeping up with consumer preferences.

Would you be willing to pay for a higher-end model that offer premium features?

With 29% customers willing to pay for a higher model and 57% considering the switch basis the difference between base and premium model, this trend marks a shift in consumer preferences in a price-sensitive market such as India.



How do you plan to finance your new vehicle?



With the recent hike in repo rate to **5.9%** by the Reserve Bank of India, car loans are likely to go up, as the cost of borrowing for banks increases.

9 of 10 consumers are expecting discounts this festive season

As production eases with an increase in semiconductor supply, leading to a gradual build-up of inventory for some models, few OEMs are offering discounts as compared to previous year, especially for entry-level models.

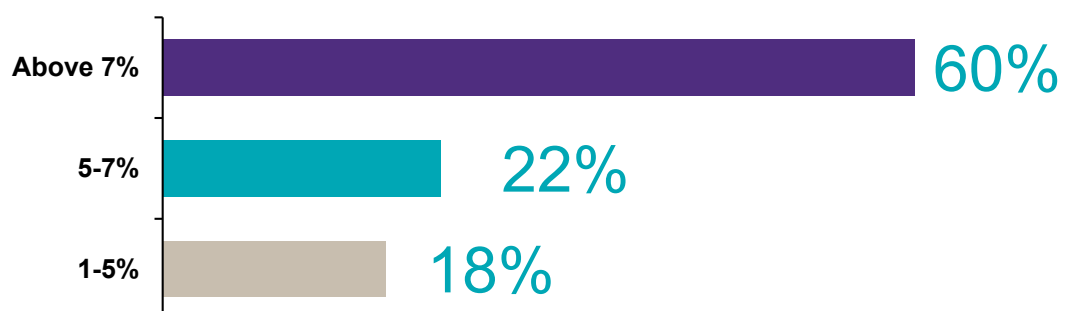
Consumer expectations

Are you expecting discounts on cars this festive season?



With almost 60% customers expecting a discount north of 7%, there is still a gap between discounts offered by select OEMs and customer expectations.

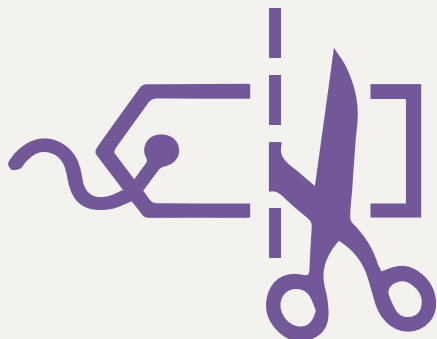
What level of discounts are you expecting this festive season?



Do you prefer to check multiple dealerships and look for better discounts before buying?

10%

No, satisfied with the choice



90%

Yes, would like to compare different offers

As different vehicle dealerships offer heterogeneous deals, customers prefer to evaluate offers by multiple dealerships before buying a vehicle.

How do you get to know about the new models introduced to market?

25%



Print or digital ads

49%



Social media, email/message promotion/news

7%



Car apps/website

19%



Word of mouth

How do you prefer to buy your new vehicle?

Although almost half of the customers get acquainted to newer models and/features via digital medium, **car dealerships** remain as the preferred **point of purchase**.

6%

Online platform

88%

Car dealerships

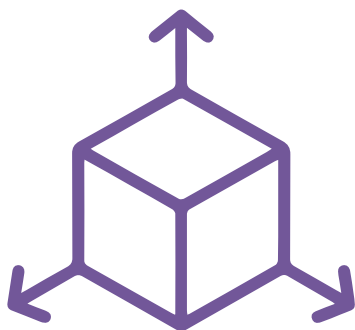
2%

Third-party

4%

Others

Would you like to buy a car by checking features and through an online 3D experience?



6%

Yes, can buy a car after checking it virtually

63%

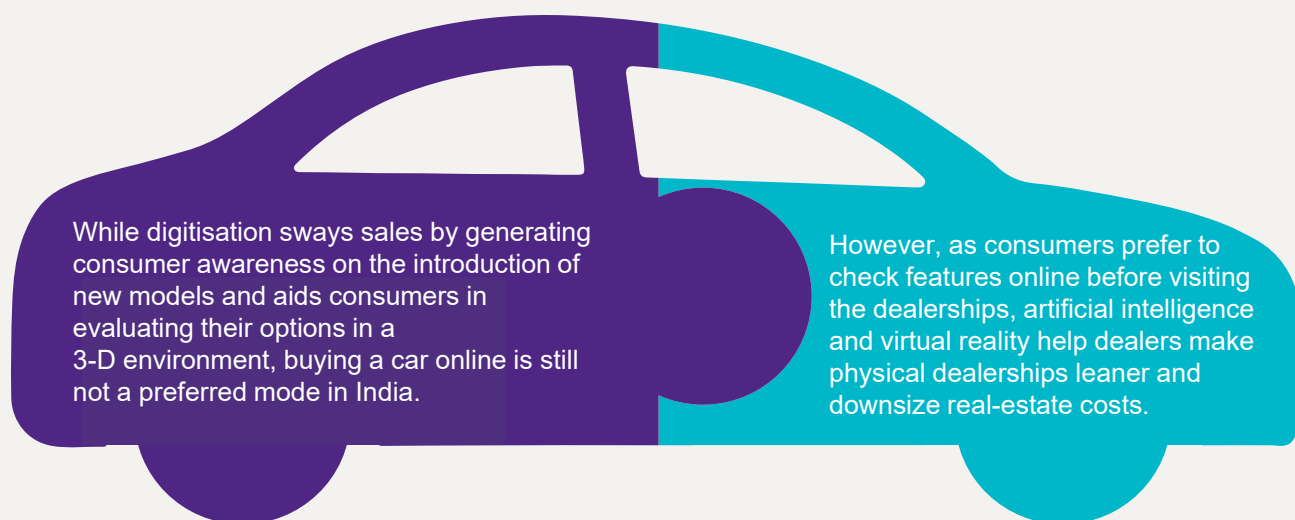
Both, will check online and then visit dealerships

31%

No, will go to the nearest dealer and test drive before buying

Digitisation

The way forward?



Would you consider alternative sources of ownership such as vehicle subscription model or leasing?

39%

Yes, this saves money

29%

No, would like to get ownership in the traditional way

32%

Not aware about such models

As technology-enabled shared mobility solutions emerge, there is a need for generating awareness among customers to help them identify the advantages offered by Mobility-as-a-Service (MaaS) solutions, which are yet to be picked up in the country.



Conclusion

As India's automotive sector witnesses around **25%** of sales during the festive season, it is the right time to understand and analyse consumer preferences and their buying behaviour.

Amidst the uncertainties in the global macroeconomic environment, propelling the outlook for global automotive industry to dwindle, India maintains a bright spot, aided by the festive season.



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