

Deals on Wheels

A survey on automotive buying trends this festive season



Introduction

The festive season is the most lucrative time of the year for the Indian auto industry. These months open an array of opportunities for companies to cover sales losses and improve on the bottom line. Usually, this period witnesses skyrocketing demand with multitudes of deals backed by special offers and festive discounts from manufacturers and dealers.

The COVID-19 pandemic exposed fault lines in the global supply chain and gravely impacted India's vehicle production. Despite the pandemic, the Indian auto industry is foraying ahead with optimism and heightened consumer confidence.

With this survey, Grant Thornton Bharat attempts to demystify the post-COVID-19 demand for vehicles in India, prevalence of discounting practices and the extent of discounts provided by original equipment manufacturers (OEMs). The survey examines a few attributes that impact customer buying and sentiments during the festive season. The survey also delves into consumer expectations from discounts and their readiness to switch over to the new dynamics the auto industry has to offer.

More than 5,000 respondents participated in the survey across digital channels.



Executive summary

Festive discounts are among the prime determinants of vehicle sales performance in India. With the outstretched delivery period of new vehicles due to COVID-19, OEMs and dealers may refrain from shelling out massive discounts this festive season.

The outcome of the survey affirms that the purchasing sentiment of Indian consumers is optimistic and COVID-19 has not dampened the demand for new vehicles.

Even though most consumers may delay their purchase until next year, lucrative discounts and deals may inspire them to buy vehicles this year.

The trend of utility vehicle preference over sedans persists this year as five out of 10 people expect to buy utility vehicles (UVs) over sedans.

COVID-19 has not only disrupted the auto sector but also delayed the purchase plans for many. This is indicative of high pent-up demand. The number of people expecting to buy vehicles that are compliant with new technology and safety features is on the rise. Buyers are also more inclined towards new forms of vehicles, including hybrid.



Saket Mehra
Partner and Auto
Sector Leader



Key highlights from the **survey**

SUV enthusiasts have an average income of **INR 15 lakh** and more annually

Increase in number of people inclined towards **EVs and Hybrid**

Youngsters or millennials favour personal vehicles for commuting; a shift from **car-sharing post COVID-19**



Pent-up demand likely to slip into next year

Some interesting findings have come out with survey results and India's readiness for electric vehicles (EVs) adoption is one of them. From EVs and alternative fuel options, Indian consumers now seem ready to embrace the paradigm shift to e-mobility. They are overcoming their hesitation and prefer sustainable and environment-friendly solutions.

Saket Mehra
Partner and Auto Sector Leader
Grant Thornton Bharat

Vehicle sales have increased this year given the expected pent-up demand being a key driving factor. With the duration between purchase and supply stretched due to long waiting period, many consumers are likely to hold their purchase decision till supply constraints are minimal. The survey has reconfirmed this with 62% of the consumers willing to buy a new vehicle only next year, which will lead to pent-up demand being slipped to next year.

Vicky Bahl
Partner, Growth
Grant Thornton Bharat



Consumer buying trends

When do you plan to buy a new vehicle?

19%



September-
November 2021

13%



December 2021

62%



Next year 2022

6%



No Plan

What kind of car do you plan to buy?

17%



Compact car
(Up to INR 5
lakh)

13%

Entry-level
sedan
(Up to
INR 10
lakh)

19%

Mid-level sedan
(INR 7-15 lakh)

51%

SUV
(Above
INR 10
lakh)



SUV continues to dominate Indian roads

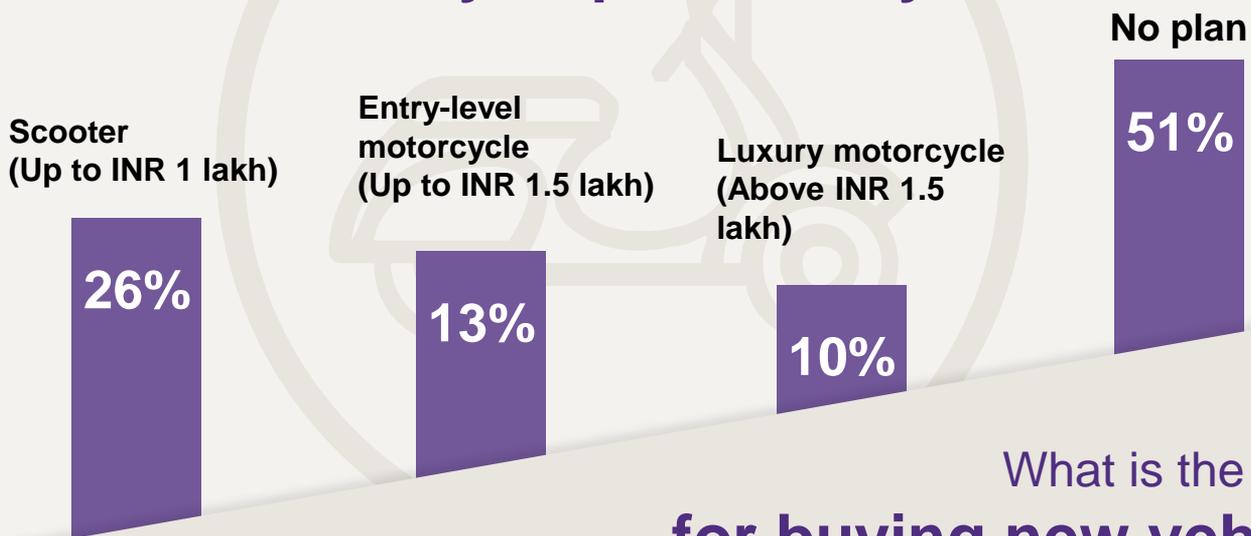
There has been a radical shift in consumer perception about cars – it has moved on from sedans to SUVs. This trend has emerged largely in the last three years. With SUV sales on the rise, more consumers are now opting to purchase a SUV.

The sales data of the first few months of the current financial year attests to the Indian buyer's increasing preference for SUVs over sedans and hatchbacks. In Q1 FY22, SUVs outsold sedans in the sub-segments. Moreover, SUVs are priced over INR 10 lakh and the increasing interest among consumers is indicative of their willingness to spend more on vehicles, which can also be used for off-roading and come equipped with safety features.

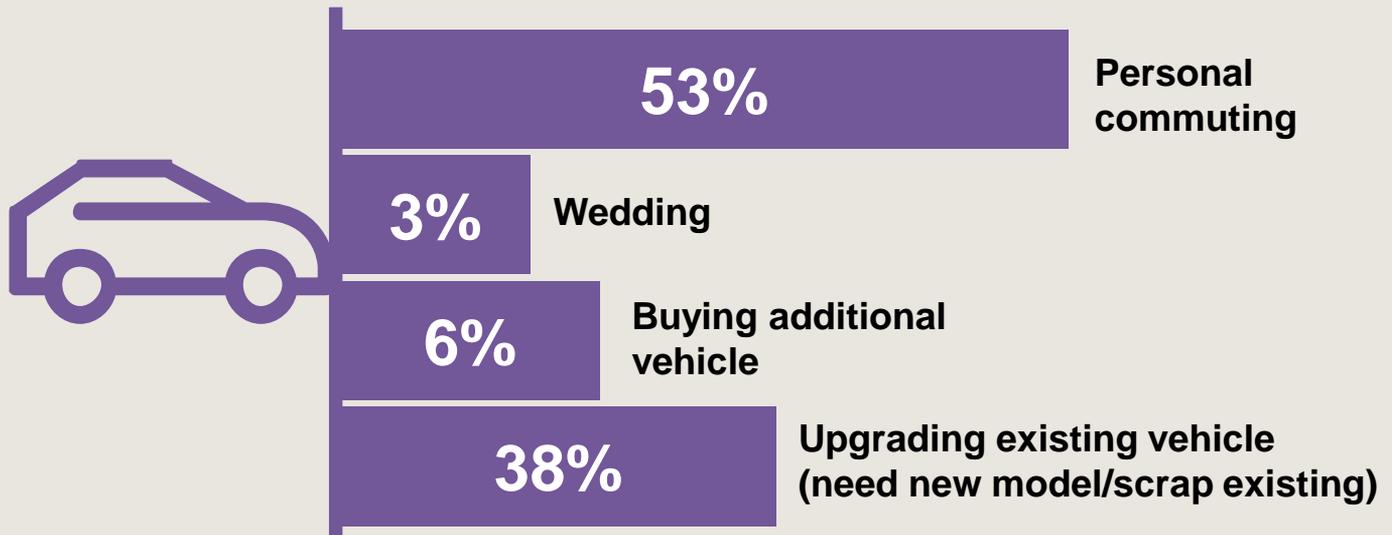
At the same time, a decline is witnessed in demand of two-wheelers as the second COVID-19 wave impacted small towns and tier-II cities. While two years ago, car-sharing services were hailed as a popular and economic mode of transportation, today their prevalence has become limited. An increasing number of users are now opting for personal vehicles post the pandemic.

Consumers are now ready to embrace EVs or hybrid over the traditional internal combustion engine (ICE) vehicles running on petrol and diesel. In the past, several announcements and incentives from the government have impacted the preference of vehicles with alternative fuel options.

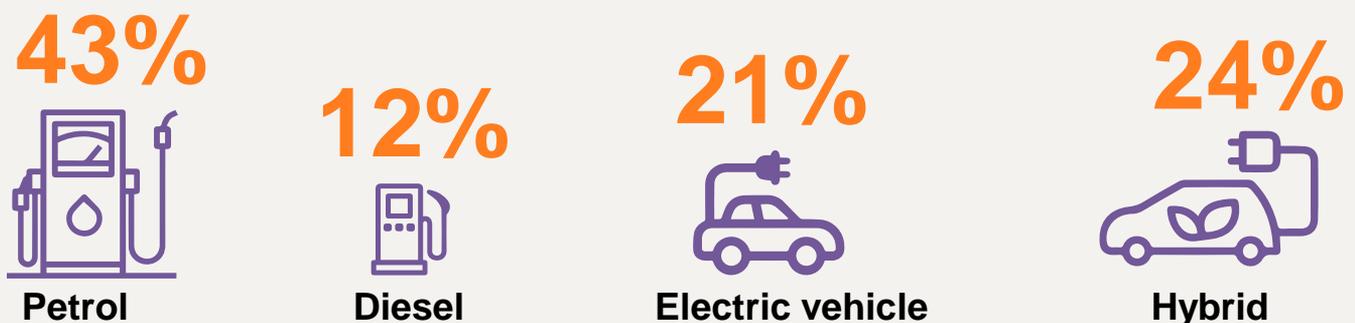
What kind of two-wheeler do you plan to buy?



What is the reason for buying new vehicle?

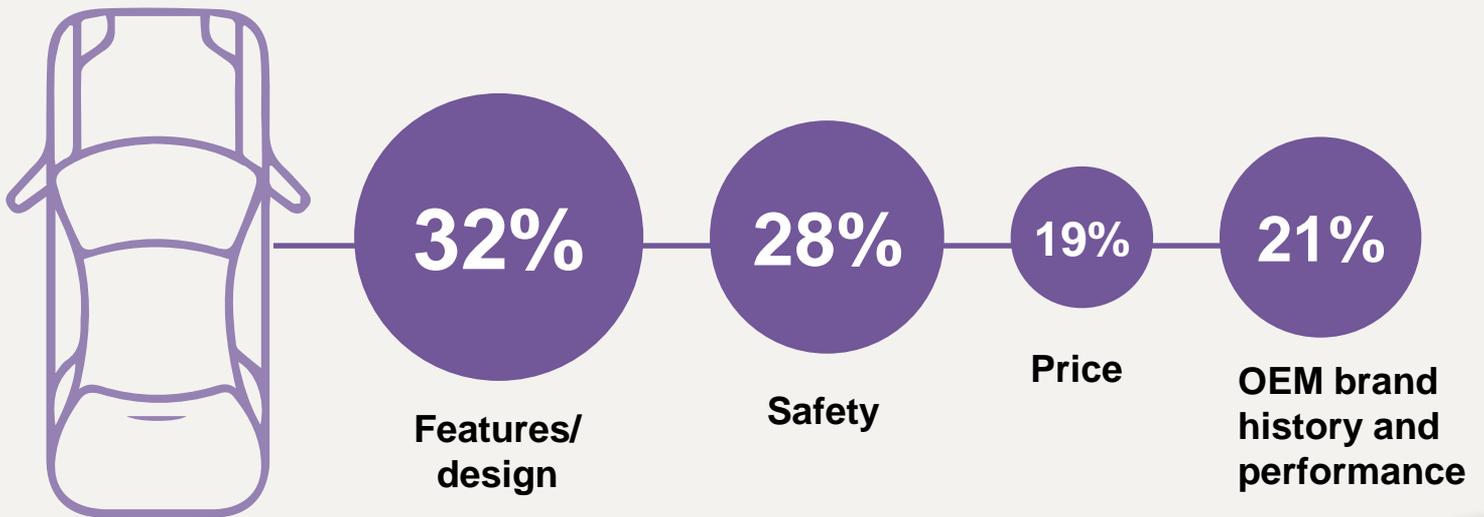


What type of vehicle would you prefer to buy?

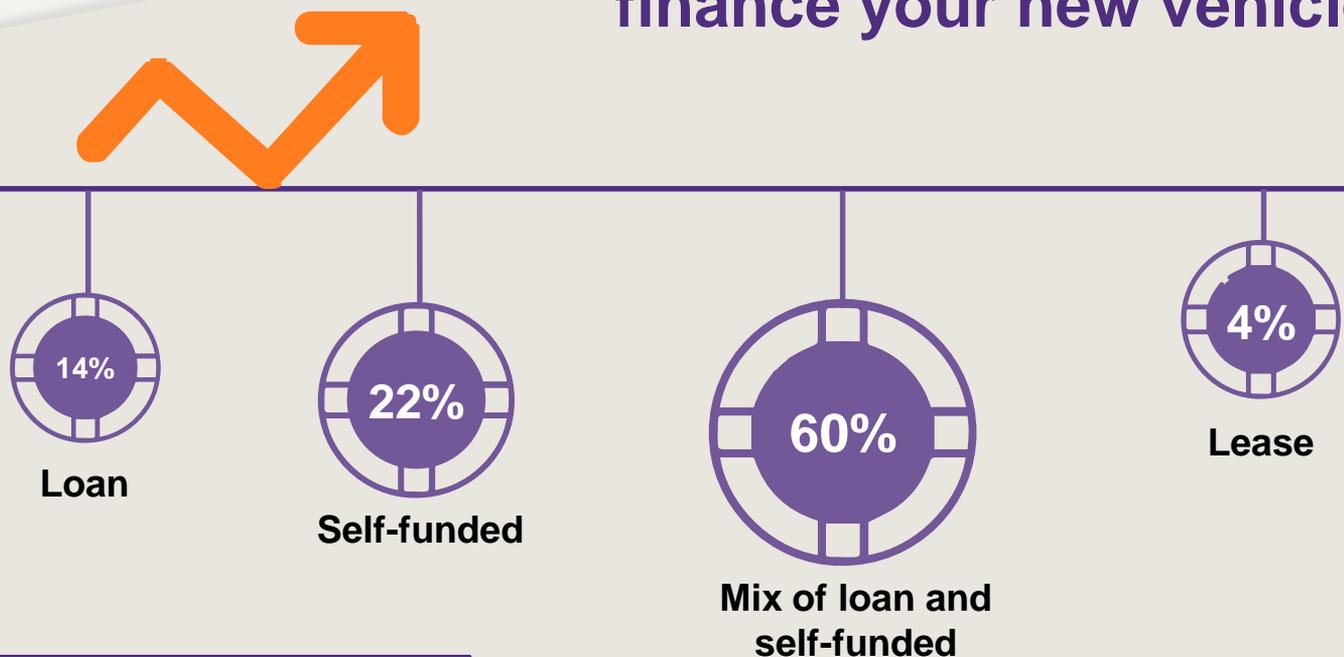




What is the first thing that you look for in a car?



How do you plan to finance your new vehicle?





Discounts

Do you buy a vehicle when **you want or you wait for discounts?**



41%
Buy when
need/want

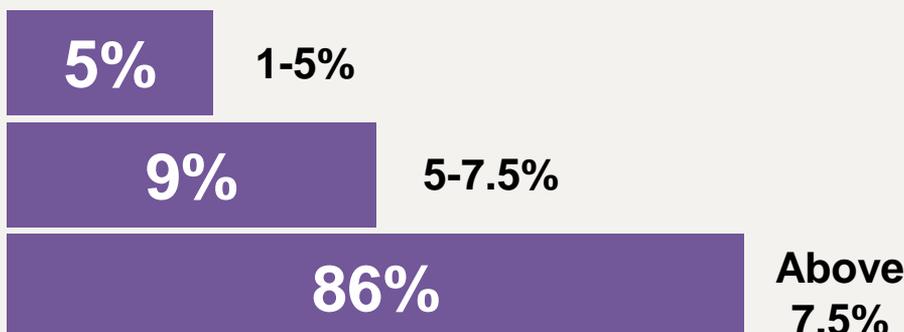


59%
Wait for
discount

Are you expecting discounts on **cars/motorcycles this festive season?**



How much discount will make you **excited to buy a vehicle this festive season?**



“Automotive OEMs are facing supply chain pressure due to global semiconductor shortage – this is leading to production pressure and may lead to lower-than-expected volumes. Given the value-focused Indian consumer, OEMs and dealers may offer discounts on value added services such as extended warranty and add-on's but may remain reluctant in offering full-fledge discounts for their flagship models. Given the fact that they might not want to drive in more demand than what they can deliver, we may witness discounts on slow-moving inventory only.”

Vicky Bahl

Partner, Growth, Grant Thornton Bharat

Discounts impacting buying: Six in 10 wait for discounts to buy vehicles

As the demand for new vehicles continues to increase, more people are now looking at discounts that are usually offered at this time of the year. According to the survey data analysed by Grant Thornton Bharat, around six in 10 people wait for discounts if they plan to buy a vehicle. As many as 87% respondents expect discounts to be given this festive season. At least half of them agreed that they may be willing to exceed budget if they get heavy discounts on high-end models.

This year, until now, a significant drop has been seen in discounts as carmakers struggle to ramp up production owing to chip shortages. Even during Dussehra, with consumer sentiment being positive, the discounts seemed minimal. Any increase in discount offering is yet to be seen during Diwali. With the current demand in the auto sector, discounts at this time can give an impetus to buying and will lead to more conversions.

Are you willing to exceed your budget if you **get heavy discounts on high-end models?**

32%

Yes

18%

No

50%

Maybe

Do you prefer festive discounts or year-end discounts?

%

30%

13%

57%

Festive discounts

Year-end discounts

Neutral

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

6%

No, satisfied with the choice

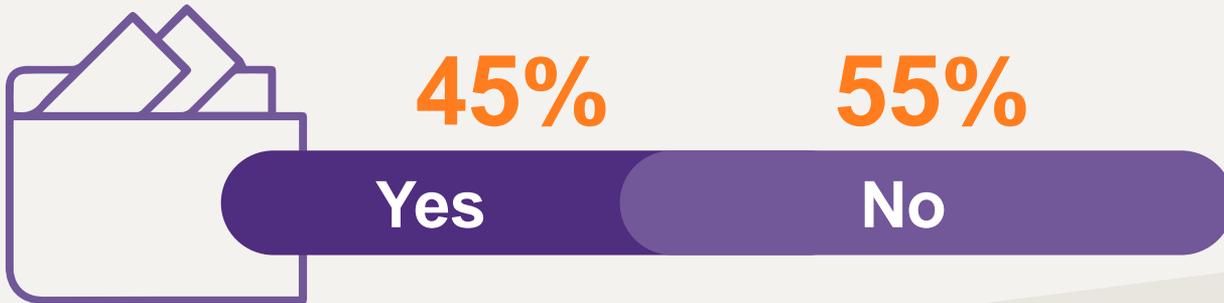
94%

Yes, would like to compare different offers



COVID-19 trends

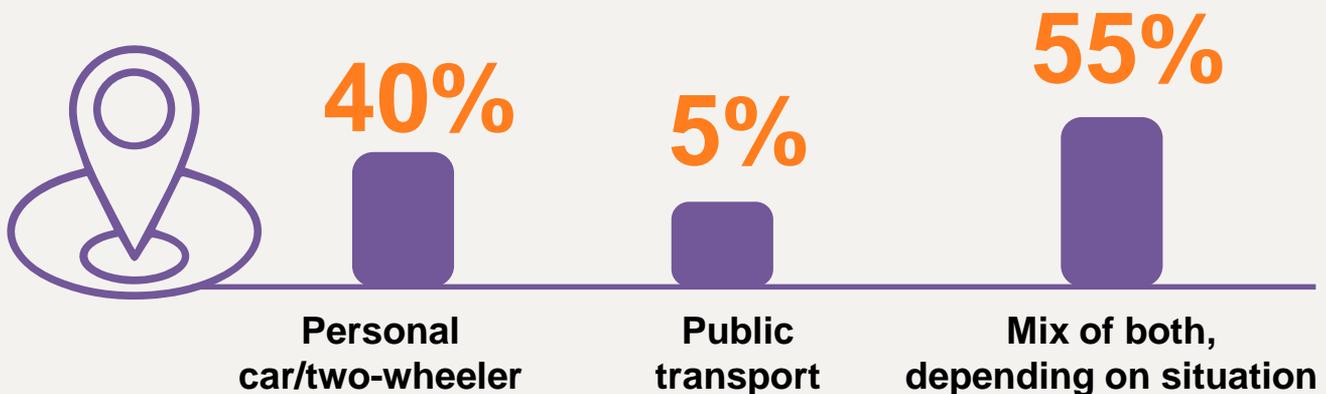
Do you think COVID-19 lockdown helped you save money to buy new vehicle?



Has COVID-19 delayed your plans to buy new vehicle?



In future, how would you prefer to commute?





Buying

How does online comparison websites and model review videos on social media impact your buying decision?

Extremely important, decision is 80% made online itself

34%

Somewhat important, about 50% decided basis online content

23%

Not so important and dealership visits are a must

43%

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

26%



Print or digital ads

53%



Social media, email/message promotion/News

14%



Car/2W aggregators apps/website

7%



Word of mouth

How do you prefer to buy your new vehicle?

5%

Online platform

90%

Car dealerships

4%

Third-party

1%

Others



Car-dealerships continue to remain preferable mode of buying

Following the COVID-19 pandemic, various carmakers in India started offering customers the convenience of not merely booking but buying a car online. Many 3D experience offerings have been offered to customers but the traditional way of purchasing a vehicle such as visiting dealerships, comparing the cars, taking test drives and then deciding which vehicle to buy continues to be the most suitable way of purchasing for majority buyers. Consumers would rather check the models first online and then visit dealerships to make purchases rather than booking online.

Digital impact on buying is majorly limited to introduction of new models and consumer awareness of model features and brand. Buying a car online is not a preferred mode in India and is expected to take a few more years for consumers to adopt to this.

Saket Mehra

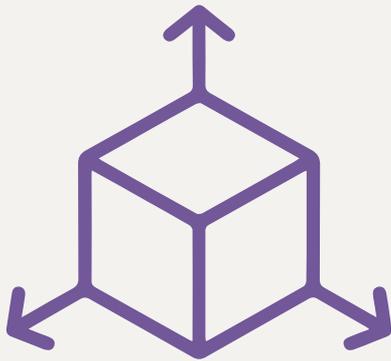
Partner and Auto Sector Leader, Grant Thornton Bharat

Vehicle subscription is the latest mode of using a vehicle and is being preferred by consumers despite current low penetration. The shift from owning to experiencing without locking finances for a longer duration is believed to be a smarter choice by many.

Vicky Bahl

Partner, Growth, Grant Thornton Bharat

Would you buy a car or a two-wheeler by checking its features online or in 3D experience?



15%

Yes, can buy a car/
two-wheeler after
checking it virtually

33%

No, will go to nearest dealer to
check deals and test drives

52%

Both, will check online
and then visit dealerships

Is your existing vehicle old enough to be scrapped?

(Scrapping is for vehicles above 15 years)

16%
Yes

72%
No

12%
I am unaware of
scrapping policy

Would you opt for a vehicle subscription model?

(Vehicle subscription is the means of having a vehicle by paying a fixed amount every month without having to pay down payments or monthly EMIs, maintenance cost of the car, or insurance.)

56%

Yes, this saves
money

44%

No, would like to get
ownership in the
traditional way

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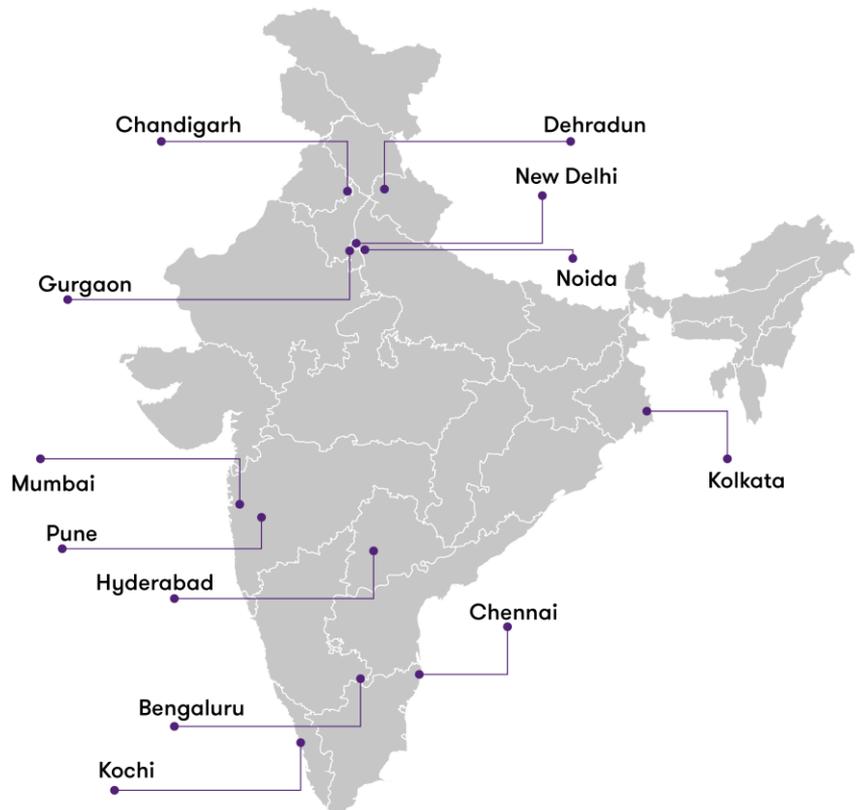
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