

Personal mobility experience post COVID-19

A Grant Thornton in India and SIAM survey report

September 2020



A man with a beard and safety glasses, wearing a blue work jacket, is working on a car chassis. He is using a tool to work on a part of the car's frame. The background is a blurred industrial setting.

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SIAM foreword

COVID-19 pandemic has come at a time when the automobile industry was already facing a demand slowdown.



The pandemic has further intensified the hardships for the industry with steep decline in sales and causing major disruption in supply chain, labour availability and challenges on the financial front for the entire automotive fraternity.

Nevertheless, the automobile Industry has been resilient in the present times and is weathering this storm with confidence of a resurgence soon.

On the personal mobility front, two trends are visible in consumer preference for vehicle purchase in the Post COVID-19 scenario. First, the positively impacting trend of increased preference for personal mobility over public and shared transportation. Second, the trend negatively impacting demand, which is negative consumer sentiment, expected contraction in GDP, reduced economic activity, job losses and pay cuts.

Both the trends have simultaneously had divergent impact on the purchase decisions of consumers. In some cases, purchases have been postponed or the choices for consumers have been altered, some new customers who earlier were not considering buying vehicles, have also become potential buyers due the necessity that the pandemic has posed. Similarly, there

have been discussions about increasing preference of consumers to engage on online platforms for vehicle purchase and servicing and also added features for sanitisation in their vehicles.

Therefore, to better understand consumer preference and make such data available to our membership, we have partnered with Grant Thornton to jointly undertake primary research on the changing consumer expectation for personal mobility experience, post COVID-19. The survey findings were also discussed in a webinar with industry experts. Views expressed by the panelists have also been captured in the report to make the study comprehensive.

I am happy to share the findings of the study with our members, the larger automotive fraternity, government, media and other stakeholders. We hope the findings of the survey would be useful for understanding consumer preferences and hence, help us in providing best in class 'products' and 'services' to our customers. The project is an additional milestone in our endeavour and aim of 're-building the nation, responsibly'.

Rajesh Menon

Director General, SIAM

Grant Thornton foreword

In the wake of the COVID-19 pandemic, consumer attitude towards the automobile industry has drastically changed and health is now the top priority.



Rapid recovery of the automotive market is uncertain. Therefore, it is important to ascertain the uncertainty around consumer preferences towards mobility solutions in the automobile industry and the incentives that would stimulate the demand for vehicles in both short and medium terms.

As economies reopen, original equipment manufacturers (OEMs) and vehicle dealers await to see how long will the recovery take and what the next normal would look like. In this scenario, the development of digital sales channels is requisite. With unlock 1.0, an all-new digital retail landscape is making its way to dealerships and robust online sales solutions are now expected for a satisfying purchase experience. To offer contactless online solutions, dealers need to be enabled so that they can reach customers at home and accelerate the digitalisation of the customer purchase experience.

Our personal mobility experience survey, in collaboration with SIAM, examines the impact

of COVID-19 on consumer preferences. The survey focusses on current consumer sentiment as well as its anticipated future behaviour to help the automobile industry find the next normal. The survey report provides some concrete answers and highlights expectations that consumers have in terms of mobility and vehicle purchase.

The findings suggest that the persistently weak consumer sentiment is expected to be further amplified until the pandemic subsides. As consumer grows wearier about the financial outlook, the automobile manufacturers are likely to witness a significant drop in numbers. Most consumers are likely to hold on to their vehicles longer and only make necessary purchases.

We hope that our survey findings will be useful and would help the industry to emerge stronger.

Saket Mehra

Partner and Automotive Sector Leader
Grant Thornton Bharat LLP

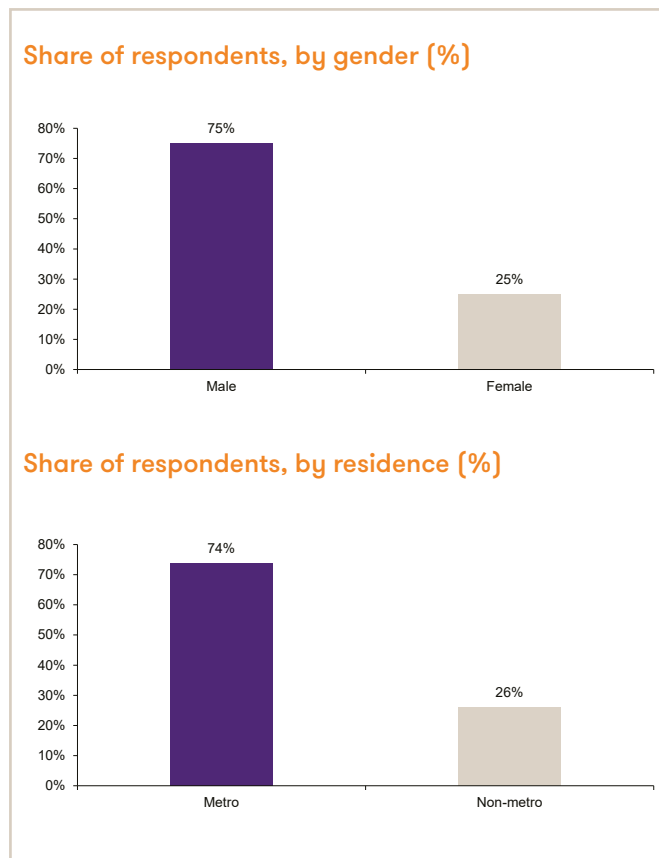
Survey background

A man with glasses and a blue shirt is pointing at a large digital screen. The screen displays a complex financial chart with multiple data series, including a green line graph, a red candlestick chart, and a green bar chart. The man is holding a black pen in his right hand, pointing at the green line graph. The background is dark, and the screen is the primary light source.

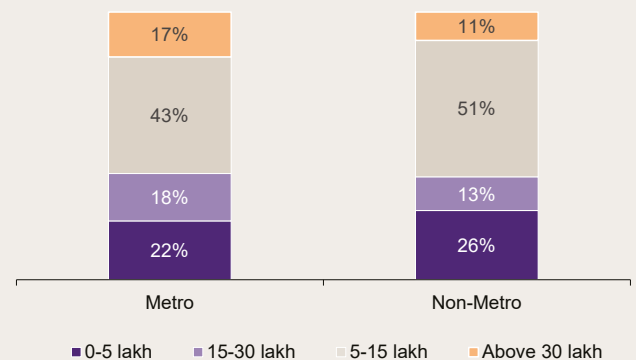
With restrictions on movement, what is the preference of a consumer towards buying a four-wheeler, two-wheeler and electric vehicle?

COVID-19 has changed the way we think of, use and buy vehicles. To gauge the impact of the pandemic on vehicle ownership, consumer preferences and plans for buying a new vehicle, Grant Thornton in India in partnership with SIAM, conducted an online survey in July 2020. The joint survey joint survey suggests a shift in preferences, with more consumers likely to opt for an owned vehicle than travel by public transport.

Respondent demographics



Share of respondents, by pay slab and residence location (%)

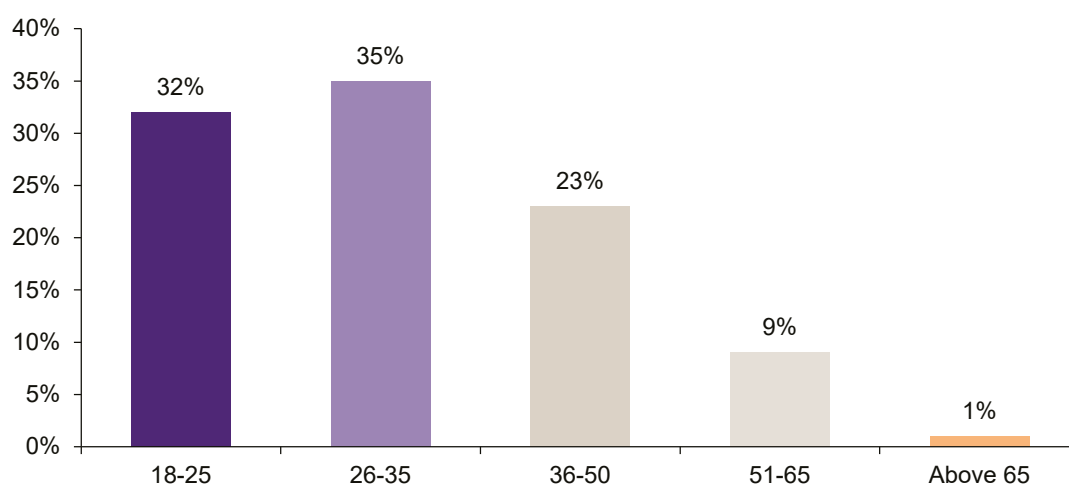


A large portion of the respondents lived in metro cities (74%) with 43% of metro-residents earning between INR 5-15 lakh.

In terms of pay slab, 45% of the total respondents earned between INR 5-15 lakh, followed by 23% between INR 0-5 lakh.



Share of respondents, by age group (%)



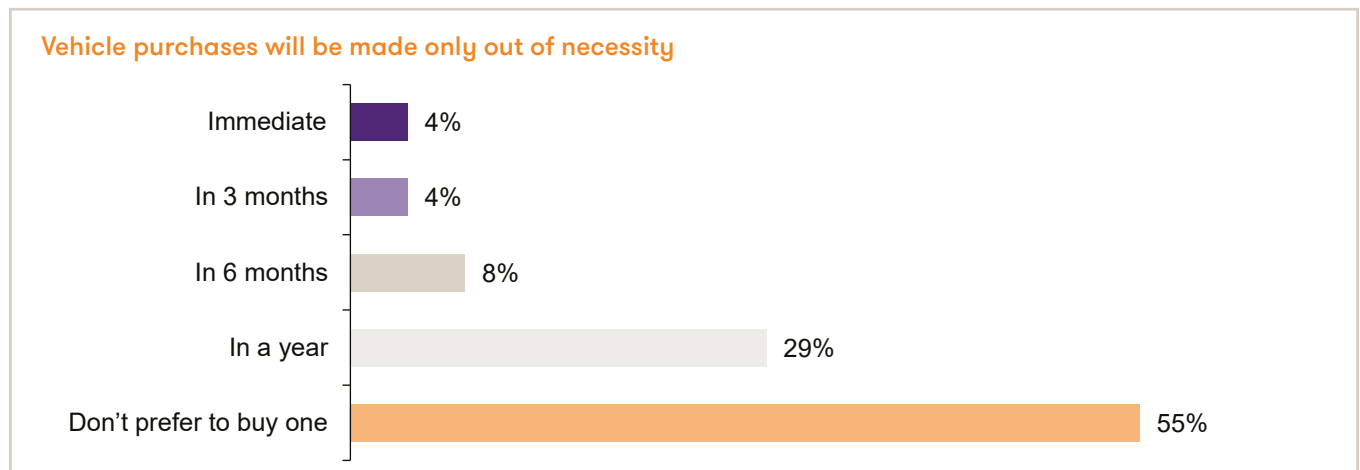


Survey findings

Consumer sentiment towards vehicle purchase

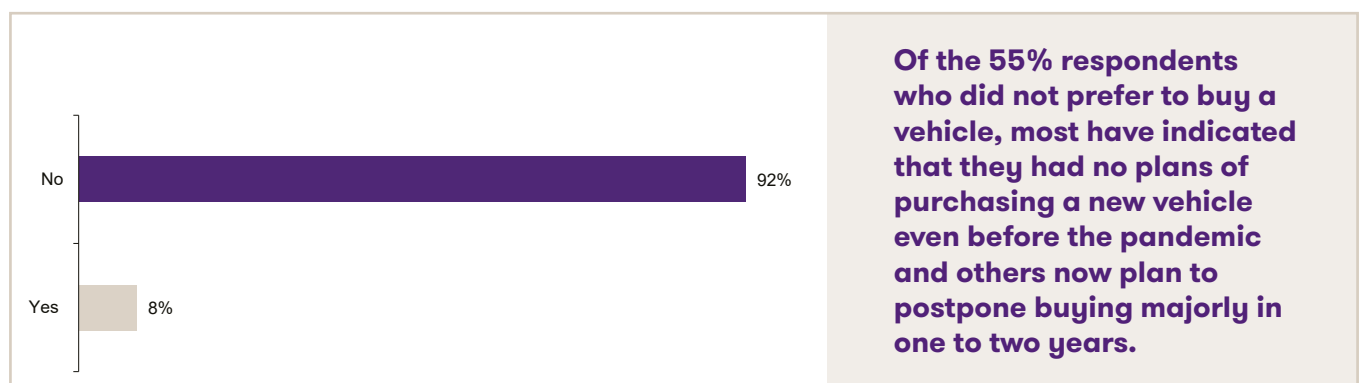
How soon are you planning to buy a vehicle?

A significant finding from the survey was that nearly 29% of respondents planned to purchase a new vehicle in 12 months. However, only 8% planned to purchase within six months of the end of the lockdown. The prospective demand is encouraging for manufacturers and could help the automobile sector to predict demand in the post-COVID-19 era.

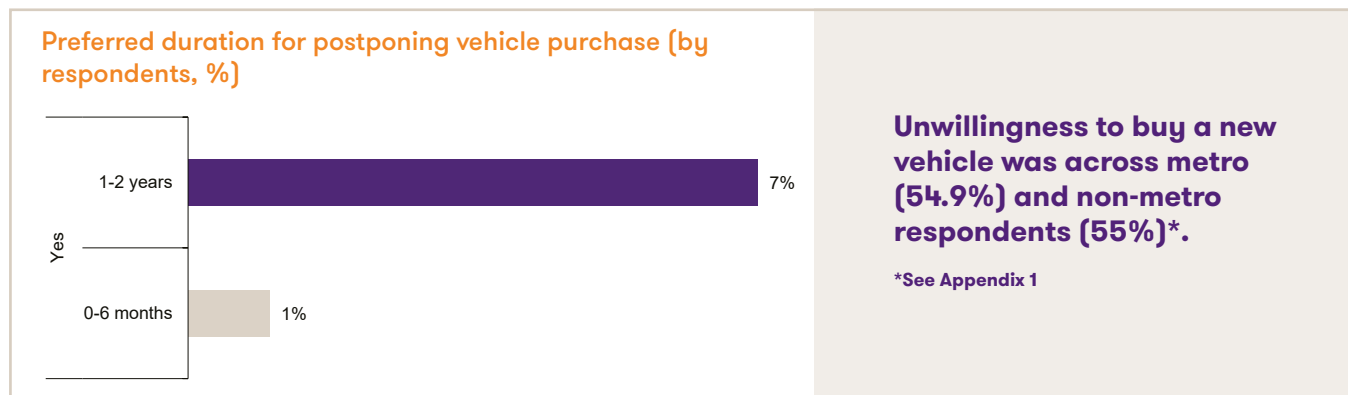


Were you planning to buy a vehicle before COVID-19 impact?

45% respondents preferred to buy a new vehicle in the current COVID-19 scenario and within a span of 1 year



How long do you think you would postpone buying a vehicle?



These trends signify that consumer behaviour towards purchasing a vehicle has not changed much due to COVID-19 and purchases will be made only out of necessity.

Appendix- 1

How soon are you planning to buy a new vehicle?

	Metro	Non-metro	Grand total
Don't prefer to buy one	54.9%	55.0%	54.9%
Immediate	4.2%	4.6%	4.3%
In 3 months	3.5%	6.0%	4.1%
In 6 months	9.1%	4.6%	7.9%
In a year	28.3%	29.8%	28.7%
Grand Total	100%	100%	100%

Drivers for postponing vehicle purchase, by share of responses (%)

Among the respondents who plan to postpone the purchase of a new vehicle because of COVID-19, 56% believe it makes better financial sense to keep their current vehicle, while 32% have been unable to afford a new vehicle.



56%

believe it makes better financial sense to keep their current vehicle



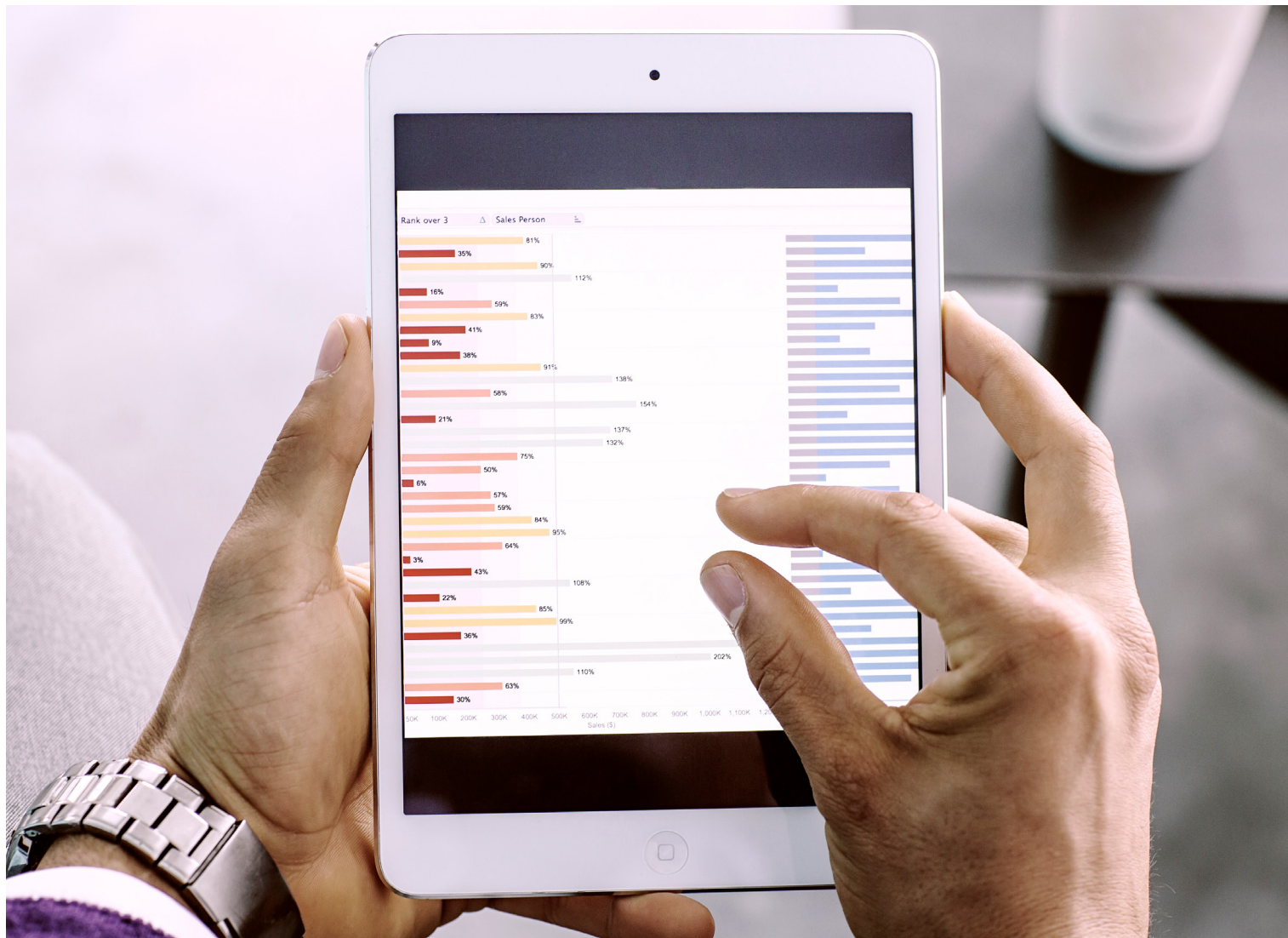
32%

have been unable to afford a new vehicle

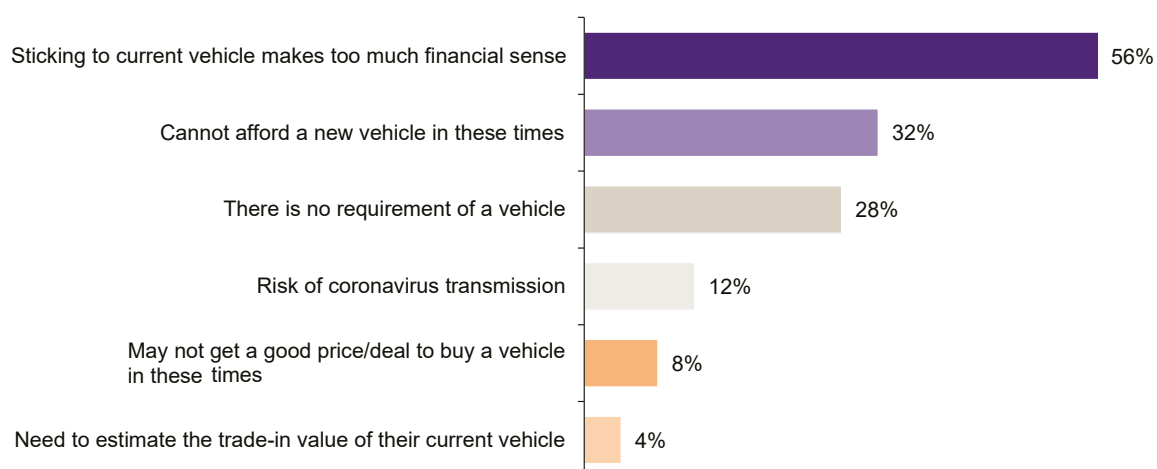


28%

do not see any requirement for a vehicle for themselves



Reasons for postponing vehicle purchase (% share of respondents)



Consumer sentiment towards vehicle purchase

In the post-COVID-19 era, the survey report suggests that there could be a hike in demand and preference for a passenger vehicle (PV) for daily commute.

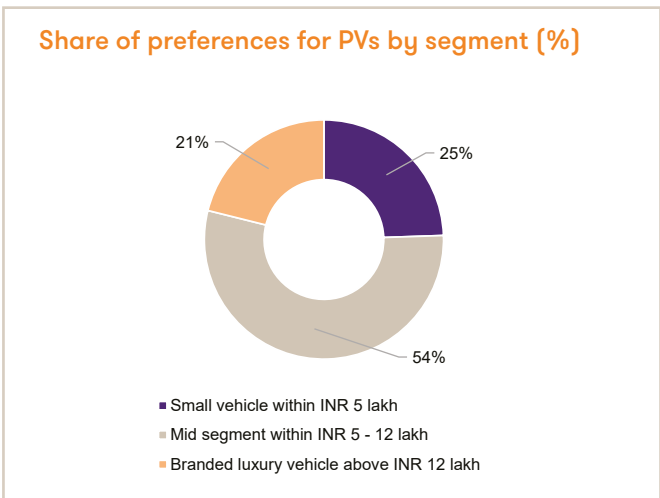
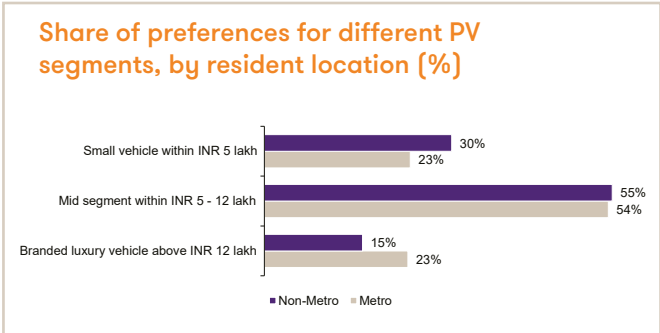
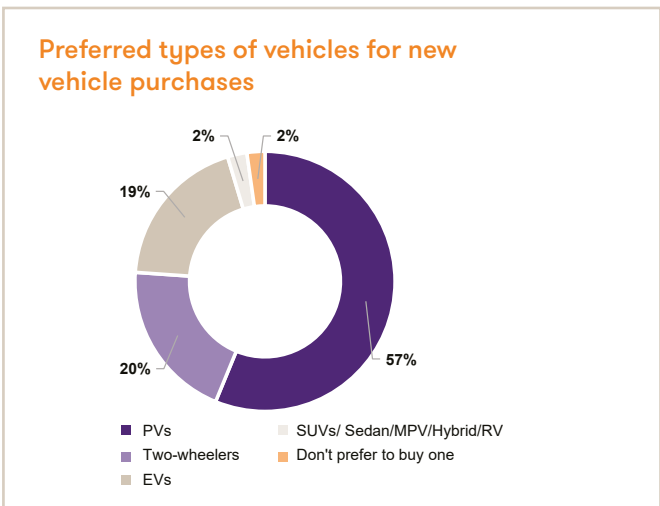
The increase in metros for PVs in a mid-segment is found to be most preferred amongst prospective consumers. If it turns into reality, the same could be attributed to non-metro resident location as well, as 55% of those surveyed in these areas preferred to utilise PVs in the same segment.

Preferences to vehicle types

When enquired about the type of vehicle to buy, more than half (57%) of the total respondents preferred to purchase a PV.

Respondents also showed preferences towards two wheelers and electric vehicles (EVs), accounting for around 20% each.

Among the respondents who preferred PVs, 54% inclined toward buying a mid-segment PV within INR 5–12 lakh. Preference for a mid-segment PV within INR 5–12 lakh was witnessed in both metro and non-metro locations, accounting for 54% in metro cities, and 55% in non-metro cities.



In the post-COVID-19 world, OEMs would continue to market e-mobility as the prospects of EVs cannot be ruled out completely with the environmental benefits of the vehicle.

Drivers for new vehicle purchase, by share of responses (%)



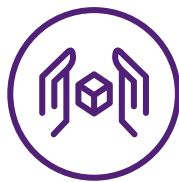
57%

would buy a new vehicle to avoid use of public transport



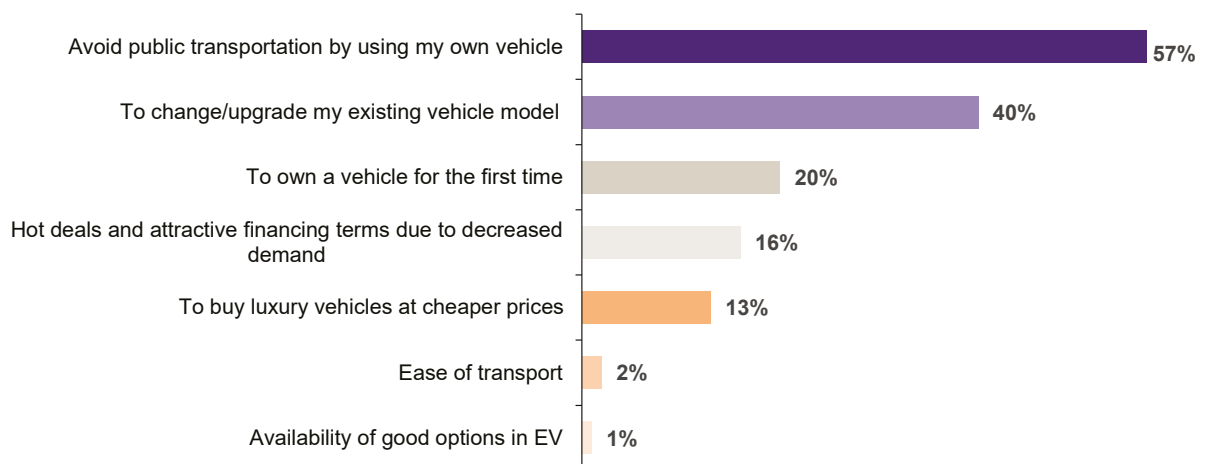
40%

would buy a new vehicle to upgrade from their existing vehicles



20%

wanted to buy to own a vehicle for the first time



Preferences to mobility categories

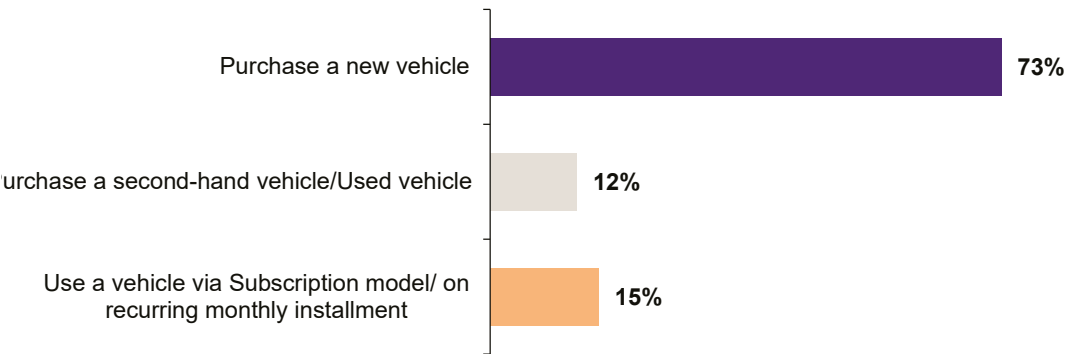
The consumer sentiment seemed stronger about new vehicle, as 73% of the respondents showed their willingness to go ahead with new vehicle purchase after the lockdown.

The next preferred category was the pre-owned/used or second-hand vehicles due to low prices with a fair deal. Due to current weak financial condition and economic uncertainty, this category has gained popularity amongst prospective buyers. In addition, preferences towards using vehicle based on a subscription model or a recurring monthly installment also witnessed stronger interest in comparison with buying a second-hand vehicle.

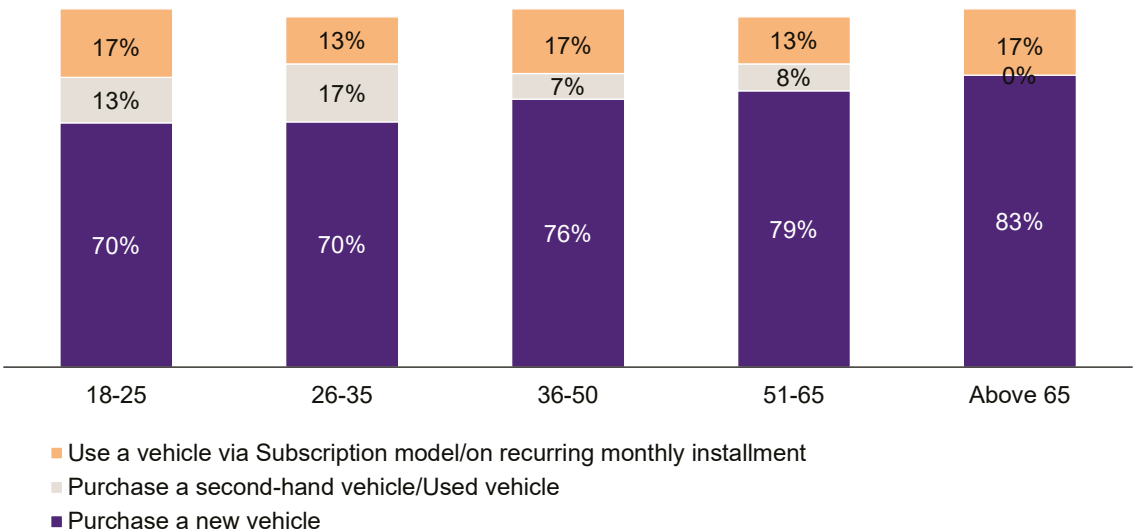
While the preference to buy a new vehicle was dominant across age groups, it increased with age. However, the preference towards purchasing a second-hand vehicle declined with age.

Overall , the market seems to be open about the options of used vehicle and subscription models available in the sector and enquirers are keen to use the options towards not only a vehicle ownership experience but safety too.

Preferred use of vehicles, by category (%)



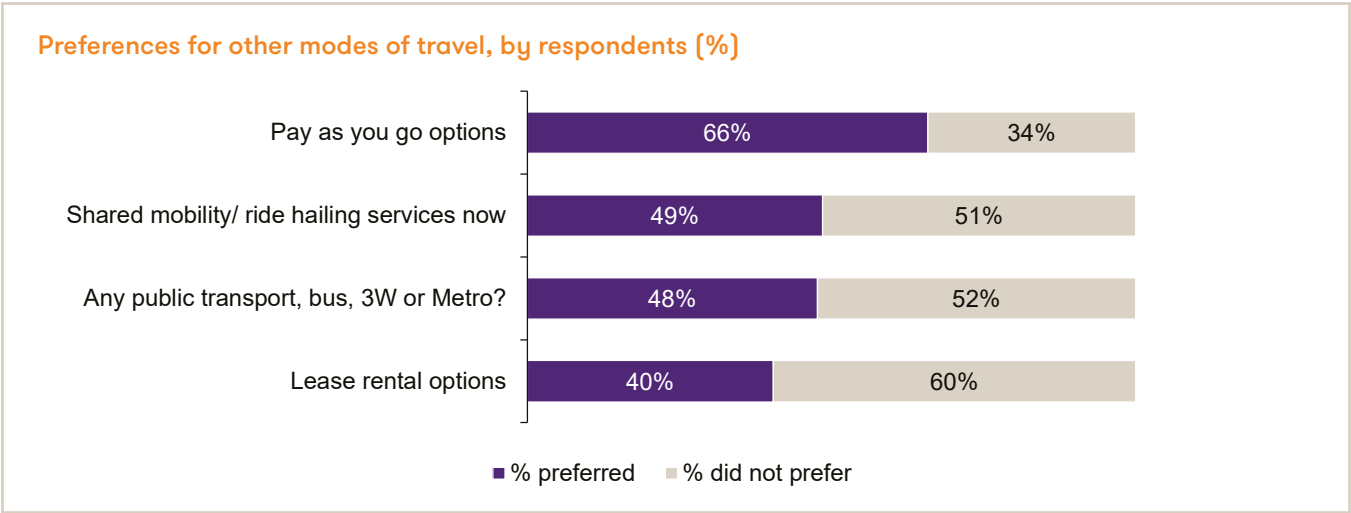
Preferred use of vehicle categories, by age group (%)



Preferences to alternative mobility options

As many as 66% of the respondents favoured pay-as-you-go options, when enquired about preferences to modes of travel other than personal vehicles. This was followed by preferences for shared mobility/ride hailing services (49% respondents), and public transport options including metro, bus, and three wheelers (48%).

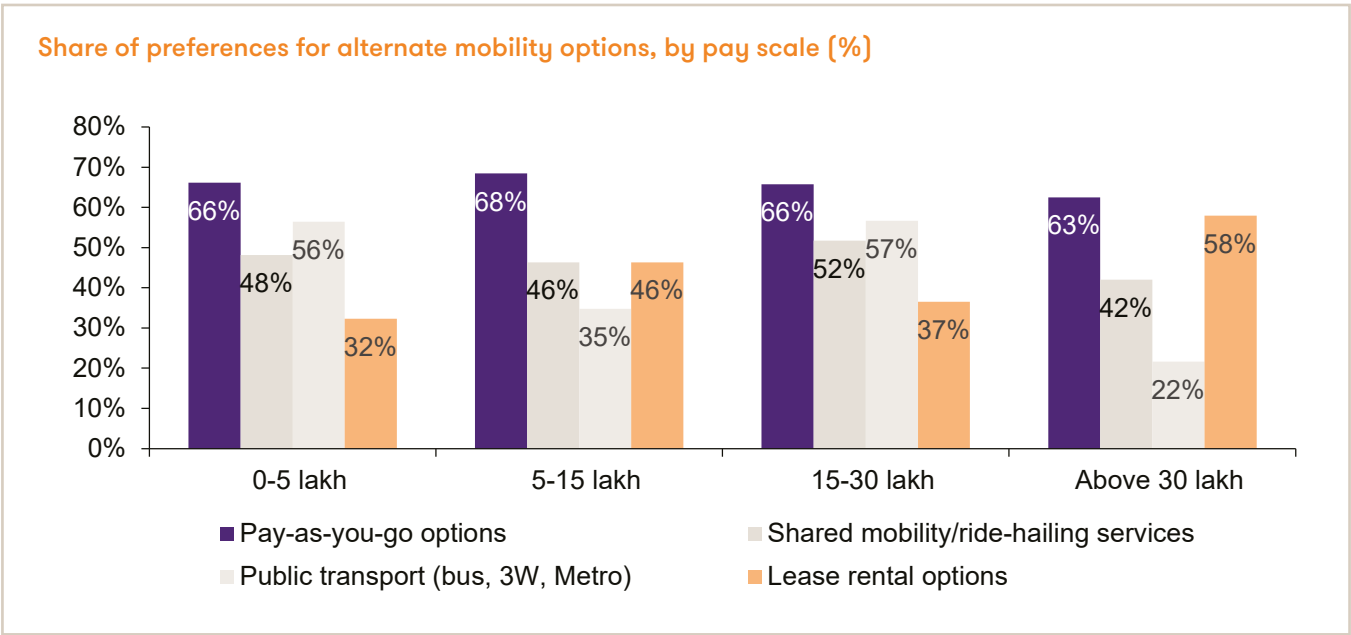
Lease rental was the least-preferred option, with 60% respondents preferring not to use it. Pay-as-you go options were most popular among metro and non-metro residents, which was followed by public transport options among metro respondents, and shared mobility among non-metro respondents*.



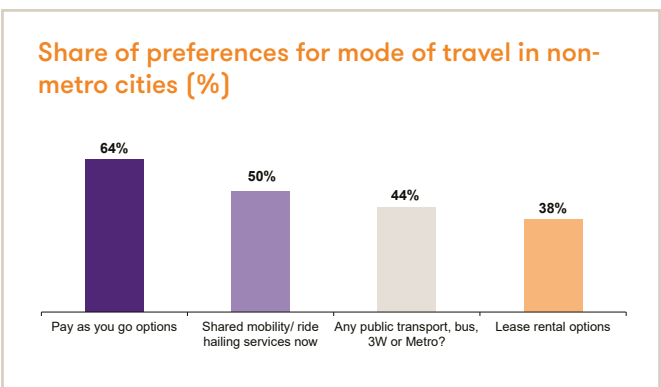
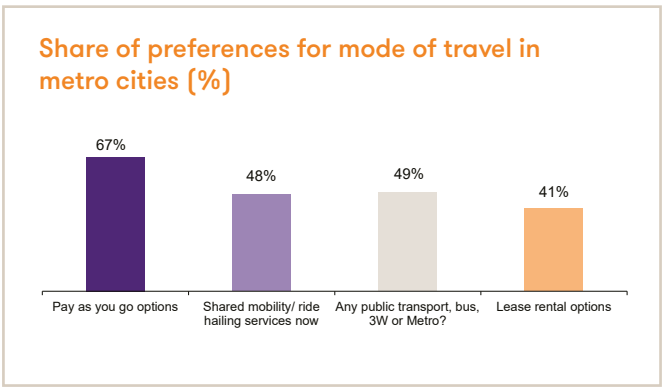
See Appendix 2

The preference towards pay-as-you go option was dominant in respondents across pay scales. Interestingly, 57% respondents in the INR 15-30 lakh pay scale preferred to use public transport, this number dropped to 35% respondents in the INR 5-15 lakh scale.

Lease rentals were most sought after by respondents in the above INR 30 lakh pay scale, followed by those in the INR 5-15 lakh scale.



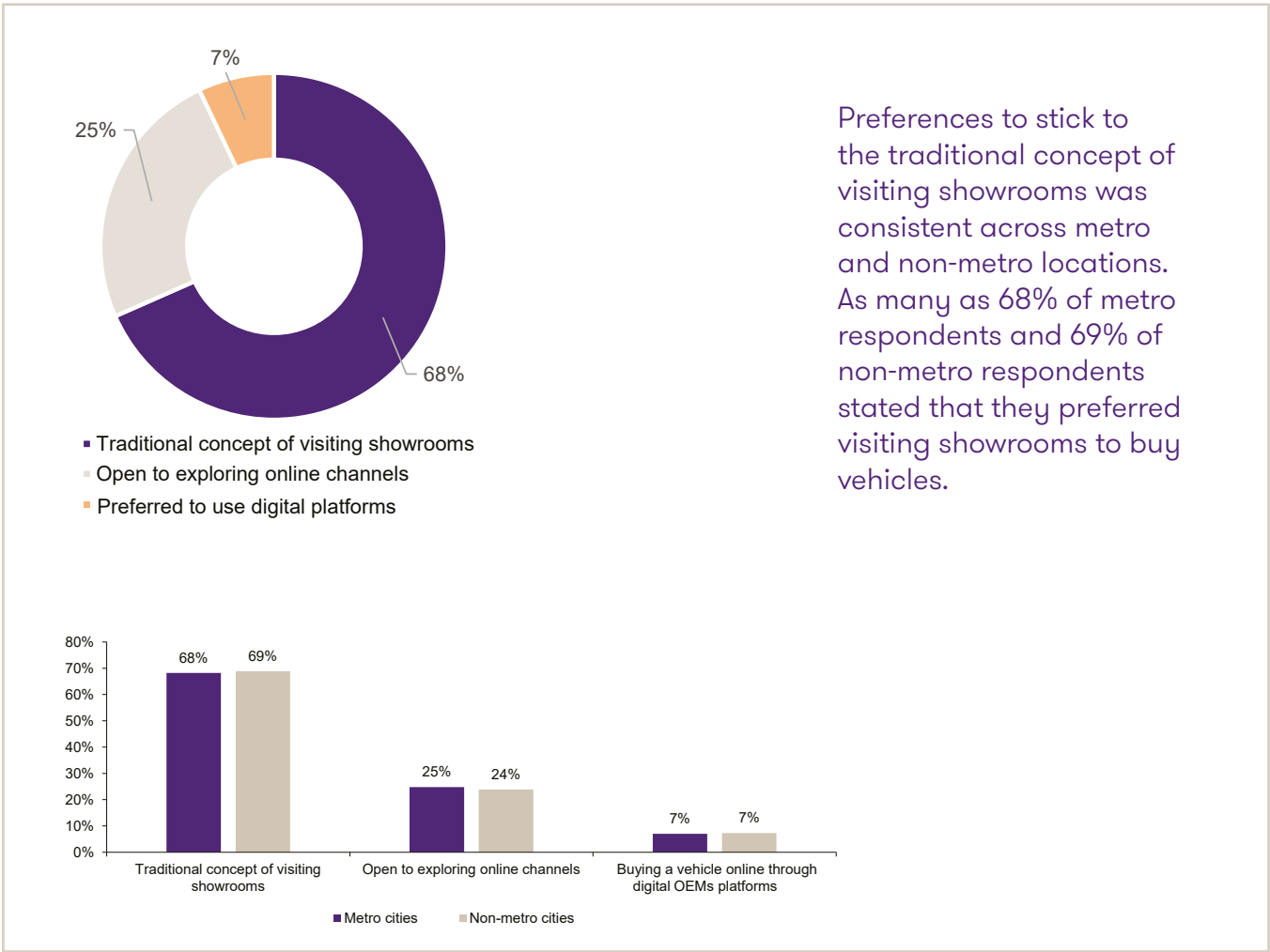
Appendix 2



Preferences towards buying channels

Overall, 68% of total respondents preferred to stick to the traditional concept of visiting showrooms.

While 25% of total respondents showed interest towards exploring online channels, only 7% of total respondents preferred to use digital platforms.





Consumers' expectations (Pre- and post-COVID-19)

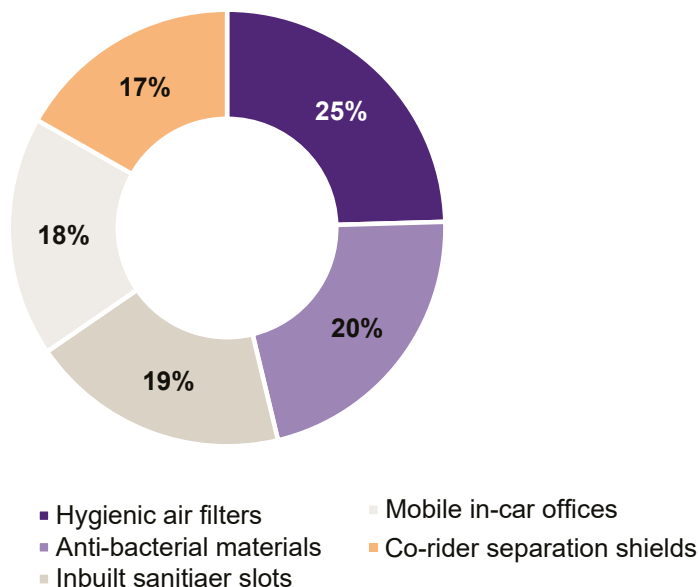
Health safety will be a priority

During the coronavirus crisis, overall mobility has shrunk across all modes. However, commuting is slowly regaining momentum in all regions. As analysed, consumers do not expect big changes in their post-crisis behaviour, compared with pre-crisis.

Expectations from today's vehicle

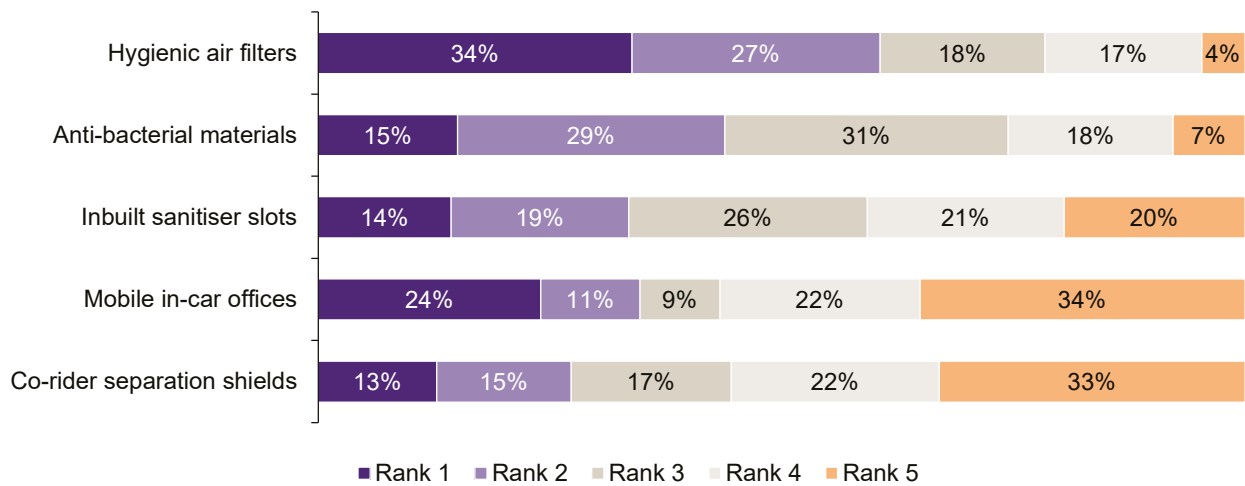
Towards the contemporary scenario, when enquired to rank preferences for features the respondents would prefer in vehicles today, 'hygienic air filters' was the primary choice and 'mobile in-car offices' and co-rider separation shields were ranked the lowest.

Preferences to features in today's vehicle, by average count* (%)





Features preferred in today's vehicle, by rank of preference



Expectations from a new vehicle post COVID-19



The expectations from a new vehicle post COVID-19 is to have 'all technology in the most pocket friendly manner'

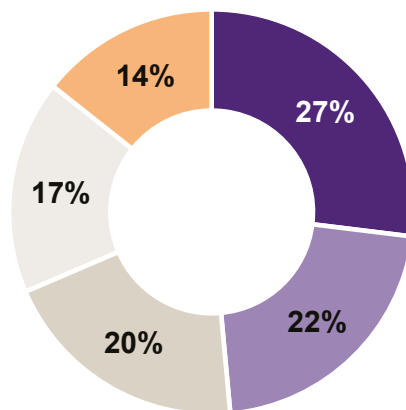


Buyers also have mixed expectations for 'exchange offers and heavy discounts', with 23% giving top rank to the scenario, and 24% giving least rank to the same



'No-contact buying experience' is less expected amongst the buyers

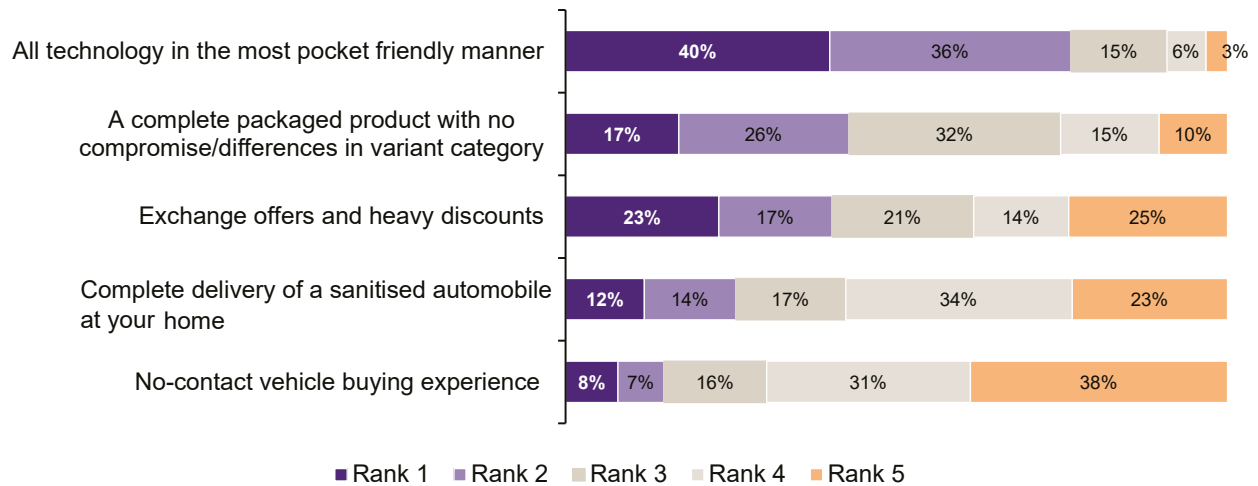
Expectations from new vehicle post COVID-19, by average count* (%)



- All technology in a pocket friendly manner
- Complete packaged product with no differences in variant category
- Exchange offers and heavy discounts
- Complete delivery of a sanitized automobile at home
- No contact vehicle buying experience



Expectations from new vehicle post COVID-19, by average count* [%]



A woman with long dark hair, wearing a light blue shirt, is leaning over a man. The man has dark hair and a beard, wearing a dark suit jacket over a white shirt. They are both looking at a laptop screen. The woman is pointing at the screen with her right hand. The background is a blurred office setting with a window showing a blue sky.

Grant Thornton- SIAM webinar: Personal mobility experience post COVID-19

Webinar poll results

Do you think overall economic revival will happen only from next fiscal year?

Yes



72%

No



28%

Do you think automakers are aligning their strategy towards customer needs?

Yes



90%

No



10%

Do you actually think that digitisation at dealerships would induce demand for vehicles?

Yes



38%

No



23%

Do you think there is enough impetus by the government to induce demand?

Yes



19%

No



81%

May be



40%

*The webinar was held on 31 July 2020 and saw over 232 participants across India.

Highlights from the webinar

Siddhartha Nigam

National Managing Partner
Growth, Grant Thornton

- India's GDP growth rate for FY21 has decreased to 0% from 5% and eventually will fall to -5%. Hence, the Indian auto market has been pushed behind by four to five years.
- Auto dealers are facing the worst crisis as they have inventory in abundance but limited funding options for post-COVID-19 scenarios.
- The sales of commercial, passenger and luxury vehicles for FY20 is equivalent to FY16. Therefore, companies are reviewing their decision of launching new models and new capacity editions.
- COVID-19 has become a threat to mobility in metro cities. The frequency of public transport usage has reduced sharply.
- Mobility preferences of people have evolved as they are gravitating towards shared mobility because of cost-efficiency. The results of surveys conducted by Grant Thornton show the high potential of this format of mobility.
- The auto sector is ready to be digitalised. Virtual interface will become the main platform of staying in touch with customers. The sector is also considering enhancing artificial intelligence and machine learning for efficient connectivity.

Rajesh Menon

Director General
SIAM

- The performance of the auto sector in FY20 has not been up to the mark. All sales have dropped to -18% in comparison to FY19. The pandemic has resulted in a steep decline in sale of all the vehicular segments.
- Due to COVID-19, the supply chain has been disrupted. There is a shortage in workforce availability in the automotive value chain.
- In FY21, demand would degrow in the range of -26% and -45% across various industry segments.
- SIAM as an industry body is trying to reduce the blow faced by the automobile industry by eliminating hurdles in the supply chain and attempting to revive demand.
- Two trends are emerging in personal mobility. First, an increase in use of public transport and second, a negative effect on demand because of pay cuts and contraction in GDP.



Sanjeev Handa

**Vice President – Head Corporate Communication
Maruti Suzuki India**

- Currently, there is a pent-up demand to some extent. Retail demand is also going up since May, continuing in June and July. However, predicting the future demand scenario would be difficult as of now.
- Demand in rural market is faster than urban market, mainly due to good monsoon, good Rabi harvest, etc. However, there is a risk of getting into second or third phase of contagion that can negatively impact the demand and the industry needs to be cautious of that.
- Maruti Suzuki India, as of 30 June 2020, has 2700–2800 dealerships operational out of the total 3100. We have been focusing on opening the rest of the dealerships.
- We are collaborating with various NBFCs and banks across the country for finance solutions, as easy access to financial solutions will be a major factor in generating demand.
- The entry level vehicle segment is getting traction.
- Out of the 26 total steps of buying a vehicle, 21 have already been digitalised.

Yashpal Sachar

**General Manager
Honda Cars**

- Honda saw 30% trade-ins in the last FY20 for the used vehicle market.
- First quarter of FY21 is witnessing a 15-16% decline in the trade-ins.
- Used vehicle market is hard to get digitalised as Indian customers prefer visiting and inspecting the vehicle before buying, specially a used one.

Annirudha Halder

**Vice President – Marketing
TVS Motor Company**

- Consumers see personal mobility as critical in the new era of social distancing and a two-wheeler or four-wheeler is the only way they can go about. The focus is moving from desire to need.
- The message has become important too. The way advertisement communication or service centers interact is key. It should be clear and trustworthy. A consumer wants family-focused communication and not just individual focus.
- People are adopting to new practices. They are looking for solution, such as what kind of accessories they want. The expectation from the vehicle is increasing.
- Earlier, there was a greater proportion of people who demanded two-wheelers. There has always been an inherent core demand.
- The immediate trigger will go off after vaccine is there, but customer will continue to value innovation based on technology that makes a fundamental difference.
- Consumer is looking for an enhanced experience.

Puneet Anand

**Senior General Manager and Group Head – Corporate Affairs
Hyundai Motor India**

- The Indian automobile industry shouldn't be called an industry of automotive manufacturing companies. We are redefining business by providing mobility solutions and not only vehicles.
- India has the largest millennial population. Hence, the needs and mindset of consumers is rapidly changing. They aren't keen on owning an asset. That's where the idea of vehicle subscription model came to us.
- When this model was launched, there was no awareness about the process of getting a subscription. We overcame those challenges through various digital interventions and seminars.
- Subscription vehicles are categorised as commercial vehicles. Therefore, during inter-state travel the drivers pay toll accordingly.
If these small issues are kept aside, we can be one of the mature economies.
- The subscription model is well accepted in metro towns such as Gurugram and Chennai as people from middle-east and other foreign countries come and stay in these cities for work and business purposes.



Conclusion

The end of the COVID-19 pandemic is unforeseeable and its economic effect will be felt for a long time. Auto manufacturers, alternative transportation providers and auto maintenance providers can expect changes in consumer expectation and behaviour to persist long after the pandemic is over.

While vehicle purchasing timelines will eventually return to normal and so will usage rates of mass transit, consumers will continue to view these behaviours under a new lens.

Thus, EVs, autonomous vehicles and shared mobility will be the buzzwords for the automobile industry. The COVID-19 pandemic has brought about the

ultimate disruption and it is difficult to predict whether the vehicle buying and mobility usage behaviour would return to the pre-COVID-19 times or whether behavioural changes witnessed during the pandemic would subsist post the pandemic.

As a result, players in the automobile industry need to relook and realign their go-to-market, sales and overall strategies towards the showcased preferences in mobility and changes in consumer behavior, as highlighted in the survey.

About SIAM

The Society of Indian Automobile Manufacturers (SIAM) is a not for profit apex national body representing all major vehicle and vehicular engine manufacturers in India.

SIAM provides a window to the automobile industry in India and works closely with stakeholders in the formulation of the economic and commercial policies, regulations and standards relating to automobiles. It provides economic and statistical information as well as technical and public policy services to the stakeholders on behalf of Indian Automobile Industry. It publishes Monthly Industry Statistics, Monthly Commodity Price Monitor and other periodic reports. It also organises seminars and workshops on the topics of topical relevance and interest to the industry. For carrying out various public policy activities, particularly in the field of road safety and environment, SIAM has partnered with other stake holders and set up the Society for Automotive Fitness & Environment (SAFE).

SIAM works closely with various government departments, both central and state level and with international bodies, such as the International Organisation of Motor Vehicle Manufacturers (OICA), the International Motorcycle Manufacturers Association (IMMA) and coordinates with other counterpart international associations.

SIAM, jointly with ACMA and CII organises Auto Expo, a widely awaited biennial auto exhibition showcasing the trends in the auto industry. SIAM also organises a motor show in Dhaka, Bangladesh and regional as well as segment specific shows across the country.

SIAM aims to promote trade, reduce costs, expansion of market, promote safety, compliance with standards and promotes growth with responsibility.



About Grant Thornton in India

Grant Thornton in India is a member of Grant Thornton International Ltd. It has 4,500+ people across 15 offices around the country, including major metros. Grant Thornton in India is at the forefront of helping reshape the values in our profession and in the process help shape a more vibrant Indian economy. Grant Thornton in India aims to be the most promoted firm in providing robust compliance services to dynamic Indian global companies, and to help them navigate the challenges of growth as they globalise. Firm's proactive teams, led by accessible and approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients, and help them find growth solutions.



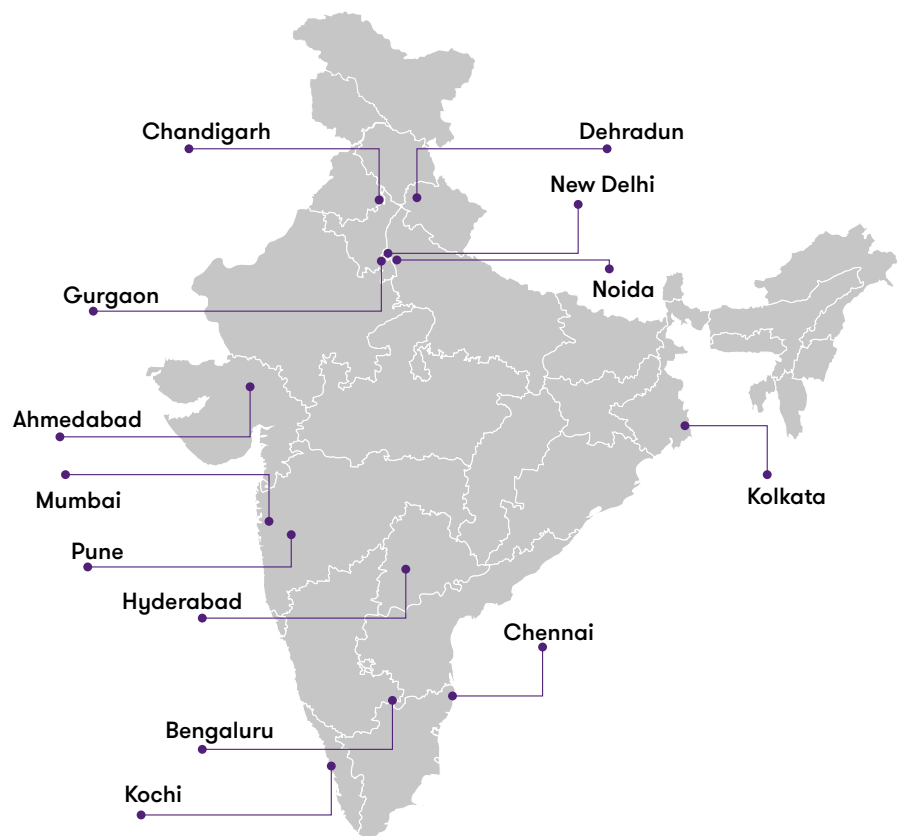
4,500+
people



15 offices in
13 locations



One of the largest
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