Analysis of Indian Automobile Industry in Covid-19

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Abstract

The purpose of this research paper is to understand the condition of the Indian Automobile Industry during this COVID-19 pandemic. The paper highlights the scenario of the Automobile Industry pre-& post Covid-19. To have a better understanding about the situation, a survey was also executed with a set of questions and a sample size 120. With that, special attention is paid on how the Indian Automobile Industry can sustain and grow during this pandemic.

Keywords: Indian Automobile Industry, COVID-19 Pandemic, Pre-COVID and Post-COVID Scenario

I. Introduction

1.1 Introduction of the industry

The automobile industry in India is the world's fourth largest and is also the seventh largest manufacturer of commercial vehicles in 2019. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US$ 251.4-282.8 billion) by 2026. The industry attracted Foreign Direct Investment (FDI) worth US$ 24.21 billion during April 2000 to March 2020 according to the data released by the Department of Promotion of Industry and Internal Trade (DPIIT).

1.2 Need for the study:

- To know the consumer perceptions about the automobiles market during the Covid-19 pandemic lockdown.
- To know customers' mind-set about buying a vehicle during this period.
- To understand the market scenario of the automobile industry post Covid-19.
- To understand the impact on the automobile industry during Covid-19.

1.3 Statement of the problem:

There are various problems pertaining to the Automobile Industry right now due to the pandemic happening around the globe. Automobile Industries are facing serious complications related to supply chain, sales, customer demands and other issues, which need to be tackled wisely and thoroughly.

a) Impact on Sales: As the lockdown and social distancing is in effect since the global pandemic situation customers cannot roam around from shops to shops. This resulted in reduced footfalls of customers.

b) Impact on Manufacturing: Lockdown has already started a chain-reaction which has affected manufacturers negatively, including automobile parts manufacturers.

c) Impact on Supply Chain: China plays a big role in manufacturing parts for automobiles. In China, almost two-thirds of auto production was directly affected by the country's industrial shutdown, which had a large impact on their suppliers as well.

1.4 Scope of the Study:

- This project summarizes the effect on the automobile industry due to the global pandemic of Covid-19. It addresses the obstacles faced by the major players in the automobile industry in India.
- This project covers passenger vehicles and two-wheeler vehicles in the umbrella term of the automobile industry. However, it does not include commercial vehicles and public transport vehicles such as buses and three-wheelers (i.e. Auto-Rickshaws)

- It reports mostly on the automobile industry in India. Though other countries are mentioned due to the relevance of them subjectively.

As the topic itself says, this research project is conducted during the Covid-19 pandemic lockdown period.

1.5 Objectives of the Study:

- To understand the situation of customers in this pandemic.
- To understand the Market scenario of the automobile industry in India.
- To understand the buying behaviour of customers during Covid-19.

1.6 Limitations of the Study

The study was a good learning process and was a very satisfying experience. Yet there were several factors that limited this researcher's plan to study as he desired. These can be summarized as follows:

Access to Documentation & Information

- The relevant data required for this study was not readily available at most of the companies.
- Due to high secrecy (intellectual property rights issues) of the companies, R&D activities, the information shared was limited regarding the processes followed for a particular product category. The present research was therefore based on general processes rather than specifics.

Time

- Great deal of follow up is required to keep track of the information which is wanted for this type of study.

1.7 About the Industry

The industry manufactures a wide range of products to meet both domestic and international demands. Production in the sector is mainly concentrated around four large auto manufacturing hubs across the country: Delhi-Gurgaon-Faridabad in the North, Mumbai-Pune-Nashik-Aurangabad in the West, Chennai-Bengaluru-Hosur in the South, and Jamshedpur-Kolkata in the East of India. India is a prime destination for many multinational automobile companies and it is the most vibrant as well, contributing around 8-9% of the Country's GDP.

II. Literature Review

The Indian Automobile Industry has witnessed an enhancement by the presence of many national and multi-national manufacturers post liberalization in 1991. The availability of many alternatives provided by the industry, gave an opportunity to the consumers to make a rational decision after considering all the options while purchasing an automobile. In today's time, the consumer market is that much characterized where the manufacturers and marketers not only looked into consumer orientation to make them satisfy but they went a step ahead to achieve consumer delight. In order to make the best decision, the consumers started looking into different parameters which can be proved as value to money proposition for them. Now, for the Indian Automobile Industry, to make marketing strategies, it has become very important for them to analyse the consumer's behaviour towards them.

The Indian Automobile Industry makes a significant contribution to the Global economy. The Industry's Annual turnover is equivalent to the world's sixth largest economy. But, ever since the Global Pandemic began in china, the impact of Covid-19 on the automobile industry has been severe. The last time such thing happened was when the global financial crisis occurred in 2008-2009. While the industry had recovered from that crisis, the employers and workers not only in India but around the world are once again going to face the great uncertainty in the industry due to Covid-19. The automobile industry is facing a sharp drop in demand as well as in investment. It is also facing a sudden and widespread stoppage of economic activity due to the lockdown initiated all over India in the starting months because of which the workers were told to stay at home, the supply chain activities were on hold and the factories were closed. The impact of Covid-19 is at a global scale, but for an overpopulated country like India, where the automobile industry is one of the major drivers for economic growth, now is facing a negative effect on the economy. This pandemic has resulted in an unexpected increase in unemployment in the automobile industry across all its activities.

First time in the history of the Indian Automobile Industry, there were zero sales recorded by each vehicle category in the month of April, 2020. This only shows that the automobile industry is likely to suffer huge losses in the upcoming months of this year. Even if somehow the pandemic was to get vanished, it would still be difficult to gain consumers and increase demand. Consumer sentiments are now to be assumed unfavourable. Due to this the companies are looking to postpone new model launches and tend to go slow during and after lockdown. And if there is no direct government intervention to uplift demand then the Indian automobile industry might face the worst year ahead. Talking about the post covid-19 situations, there is a low scope for the Indian Automobile Industry to grow economically. With most auto-stocks down by nearly 40-70% since February 2020, the post Covid-19 scenario might see consumers move away from all forms of shared mobility to more increasing personal modes of transport.

The effects of this Health crisis will have a long-lasting impact on the economy as well as on the minds of the consumers as well. If everything resumes back to normalcy, then to it will take a little bit more time for the consumers to adapt and think of using a public transport. In this scenario, the consumers will tend to shift towards purchasing a personal vehicle to avoid people. Then too it is very unlikely for the consumers who previously used public transport to suddenly now able to afford a personal vehicle due to the possibility of reduced incomes and low lending by banks.

Another possibility could be that post covid-19, the usage/sales of the mid-high segment vehicles could increase as the rich would buy them first since their incomes have been least affected in this pandemic. On the other hand, the lower income group people would get the most affected by this and could not afford a vehicle. However, due to the health risks generated by covid-19, a lot of commuters would like to avoid public transport and would prefer a personal owned vehicle over it. And majority of those commuters would prefer a two-wheeler over a four-wheeler as that would be affordable. This is so because half the distance travelled in India by commuters is Two-wheeler vehicles only.

The Indian Automobile Industry should focus on working on strategies in order to stabilize their presence in India. The Automobile sector may have taken a major hit due to this pandemic, but in order to sustain it would require to be updated on the consumer's needs, their behaviour and their situation. On the other hand, it should keep faith in the government and its upcoming policies on which the automobile sector will take necessary actions.

III. Research Methodology

3.1 Methodology and Procedure:

- Descriptive and quantitative study.
- Primary data collected from sample considering buying a vehicle during lockdown.
- Structured questionnaire
- 120 respondents
- Questionnaire made and shared using Microsoft Forms

3.2 Sample Size and Technique:

- Sample size: 120.

- Convenience sampling technique was used.
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3.3 Data and Sources of Data Collection

- Primary Data:
  - Collected through survey method.
  - A formal list of questions was asked in a questionnaire to samples selected randomly.
  - The questionnaire was forwarded in the form of Microsoft Forms.

- Secondary Data:
  - Collected through various articles, news apps and research papers related to the condition of the Automobile Industry - Pre and post covid-19 in India.

3.4 Data Collection Method used for the Study

- Questionnaire was prepared and circulated to a number of people.
- Questions were about the demographics, changes in behaviour of purchasing an automobile – pre and post covid-19, budget of the vehicle, type of a vehicle, method of purchase, characteristics and their willingness to purchase a vehicle post covid-19.

3.5 Data Processing and Analysis

- Data was collected through the Microsoft Link forwarded to the sample size.
- Data was processed and analysed with the help of MS Excel.
- Made graphs and do an interpretation of the data in a presentable form.
- The mean, median and mode of the data (questions) were found out through statistical techniques.

IV. Data Analysis & Interpretation

S#	Questions	Interpretation
1.	Age	The age group which comes under majority to buy a vehicle is between 20-35 years as these are the ones who start earning.
2.	Gender	Most of the respondents who are willing to buy a vehicle are male (with 57% responses). Second-most respondents are female (30%).
3.	Choose the budget of your preference while buying a vehicle (car/bike) during lock-down.	Most of the respondents (36%) are opting for a budget between Rs. 50,000 to Rs. 1,00,000 as lockdown has resulted in an economic slowdown and it has affected the flow of money of a lot of people.
4.	Based on Importance rate the following characteristics while buying a vehicle. (1 being the least and 5 being the most important)	The majority of the respondents think that Comfort is the most important factor while buying a vehicle, followed by the Mileage, Handling and Maintenance factor.
5.	Due to the pandemic, which will be your	There is a tie among the majority of respondents (both at 40%) who prefer personal vehicles over public transport and people

	preferred choice of mobility?	who prefer to go out less and work at home, due to Covid-19.
6.	Were you planning to buy a new vehicle prior to the Covid-19 outbreak?	Almost a majority of respondents were not sure of purchasing a vehicle before lockdown, but now due to Covid-19 they might think about it again.
7.	Which type of vehicle will be your preferred choice?	Majority of the respondents prefer a two-wheeler over a four-wheeler as it will be way cheaper for them compared to a four-wheeler.
8.	What will be your preferred method of purchase post Covid-19?	60% of the people are preferring to research online but buy offline by not going to a showroom but through a dealer as the factor of buying by touch comes into the picture as a vehicle needs to be tested by having a test-drive to deem it worth buying.
9.	Covid-19 impact on buying sentiment	The majorities (42%) of the respondents have priority towards safety and security as it is obvious due to the current situation created due to COVID-19 outbreaks.
10.	What will be the major purchase intent of a new automobile?	Majority (30%) of the respondent's major intent behind buying a vehicle is to buy a vehicle for the need of family travel. 25% of the respondents think that they feel the importance of flexibility they would get after buying a vehicle as they do not want to depend upon the public transport mediums.
11.	What will be the major features which will be your priority for vehicle purchase?	The majority of respondents i.e. 32% are choosing comfort over other factors. The next factor people give importance to is vehicle safety such as ABS, Airbags, Seatbelts, etc.
12.	How soon are you willing to buy a new automobile?	53% of the respondents are willing to buy a vehicle after a year and 38% of the respondents are willing to buy a vehicle after six months as the income levels are low due to the current situation.
13.	What type of engine would be the preferred choice?	Out of 120 respondents, 33% of respondents are going for Petrol engines as Petrol cars are cheaper and petrol is easily available anywhere. Electric Cars are a new concept for many people and will take some time for people to adopt the concept by people therefore less people are interested in buying it.

V. Findings, Suggestions & Conclusion

5.1 Findings

- The survey points to a sharp increase in personal vehicle use across all age groups. Interestingly, the respondents reported high vehicle usage even before the COVID-19 situation.
- The increase in the use of personal vehicles will be accompanied by an overall reduced interest in the services of mobility suppliers like Ola and Uber, the second-most popular mode of transport for the respondents in the pre-COVID-19 era.

- Public transport, taxis, carpools, car rentals, drivers for hire and two-wheeler hire services could see a drop in the demand among the respondents, the majority of whom have a personal vehicle in the household.

5.2 Suggestions

For Buyers

- It is suggested that the buyer should focus on purchasing the vehicle after the pandemic ends and mostly during Diwali season as automobile companies offer great discounts during that period.
- Buyers from now on should not only consider buying vehicles based on only performance and comfort, but also consider important safety features such as Air conditioning system with germ filter, body temperature indicators, Interiors which uses antibacterial materials etc.
- Buyers who prefer bikes should now consider buying a 4-wheeler for safety, comfort and various other purposes. If buying a brand-new vehicle is not affordable then they should at least consider buying a second hand vehicle.
- For buyers who have the buying capacity, they should consider buying electric vehicles as it eco-friendly and offers much advanced features compared to traditional petrol or diesel vehicles.

For Automobile Manufactures

- From the data collected, we can suggest that automobile manufacturers should consider focusing more on producing 2 major segments – SUV's and Hatchbacks.
- Features such as Air conditioning system with germ filter, body temperature indicators and Interiors which uses antibacterial materials should be introduced as many international car manufacturers have started adding these features.
- As electric vehicles are the future, manufactures such as Maruti and Honda should introduce electric vehicles at least by 2021.
- Manufacturers such as Hyundai and MG, who have introduced electric vehicles in the Indian market should also consider offering a cost friendly version as their current offerings range between 20 – 30 Lakhs.

5.3 Conclusion

The corona-virus crisis is expected to cost the Indian Automotive industry estimated revenue of Rs. 13,000-15,000 crore. The Indian auto sector earns sales of around Rs. 2,000 crores every day and shutting down the assembly by the manufacturers will lead to a sizeable revenue loss. Dealers also face an additional issue of BS4 inventory worth Rs. 6400 crore remains unsold due to the impact of Covid-19. Manufacturers will have to rely on the launch of new models as well as the upgraded BS6 model to revitalize production. India imports a wide array of automotive parts, spanning various vehicle types from China. Crucial automotive parts like fuel injection pumps, EGR modules, electronic components, turbochargers, airbag components, etc. are the key non-domestic commodities that can limit the further production of commercial vehicles, passenger vehicles, and two-wheelers, according to ICRA.

The solution, it seems, is to switch to alternate suppliers outside of China. This is, however turning out to be an impossible feat since the shift cannot be sudden and not effective immediately. This does serve as a wake-up call for the Indian automotive industry to formulate an action plan to acquire multiple vendors on a global scale, rather than limiting imports from one region entirely. Importing from other countries can be a step taken in the right direction, as can be launching a domesticated production system.

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