

# CAR SUBSCRIPTION IN INDIA

## A CONSUMER PERSPECTIVE

A CarDekho research initiative - March, 2020



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# CAR SUBSCRIPTION IN INDIA

Car subscription service is at a very nascent stage in India with brands like Maruti, MG, Hyundai and more now rolling out their proposition to cater to a new set of consumers, arising from impact of COVID-19.

Owing to COVID-19, there is an ever-increasing need for personal mobility as public transport is not safe in these times, adding, there is a realization that consumers today want to save their money due to economic impact caused by COVID-19 and hence they will shy away from anything that requires a long-term commitment of investment. This is specially the case of young millennials who today, even take their home furniture, water purifier, ACs etc. on rent to avoid blocking their investment. For them, owning an asset in their name will not really give them a kick. They are not the ones who prefer to tie-up for a 5-year EMI, rather they are looking for something for a shorter period.

## MARKET OVERVIEW

Car leasing and subscription business currently has a penetration of about less than 1% in India, owing mostly to corporate fleet management, this is meagre in comparison to 30% in developed markets such as US, UK and Germany. However, as per GlobalData, vehicle leasing, and subscription will reach a penetration level of 3-5% in next five years in India.

While its difficult to predict if car subscription will be more sought after than car sales, its clear that all factors leading to emergence of this model are in place and hence an increased focus from OEMs to cater to a rising set of post COVID-19 era millennial.

## RESEARCH OBJECTIVE

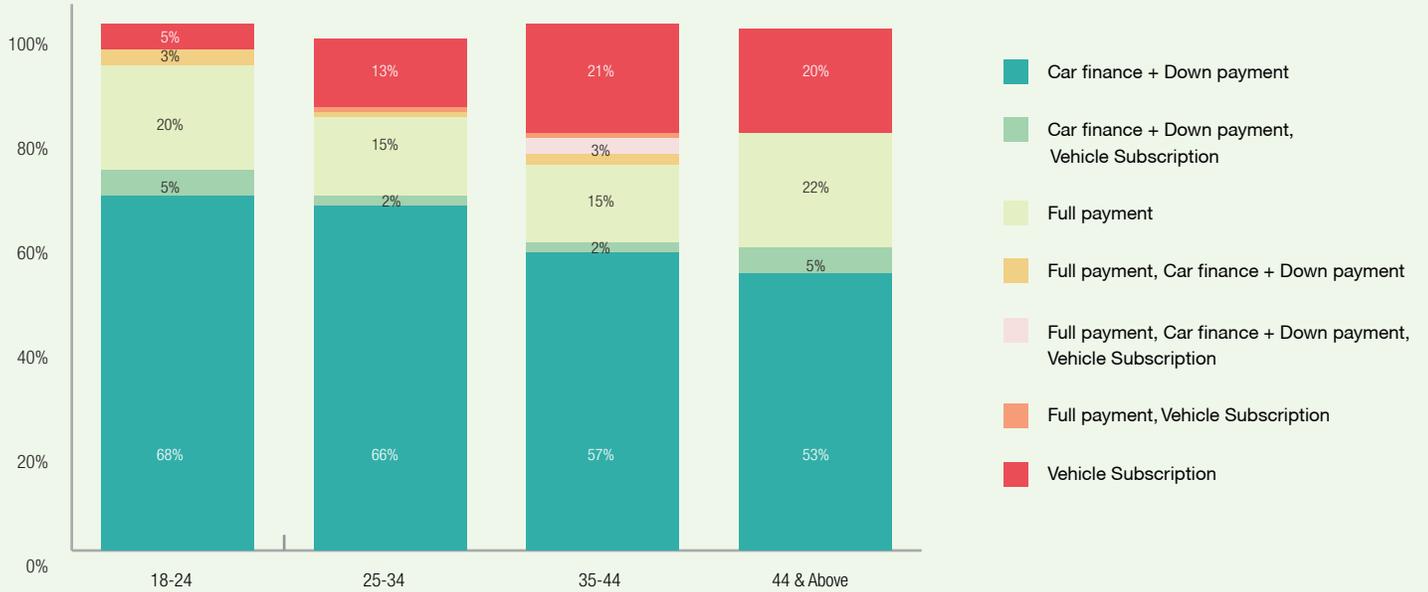
In line with CarDekho's vision to provide relevant insights and analysis to industry and be a thought leader, CarDekho conducted a survey to understand the current state of consumer awareness, acceptance amongst consumers on benefits of subscription service and their take on current proposition being offered in the market.

The survey was conducted with a sample size of 501 respondents who were in-market with a high intent to purchase a car. Preferred mode of communication with respondents was interaction through a telephonic conversation. Regards to profiling of the respondents, 47% of the respondents were in the age group of 25-34 with 61% of them employed in private sector.

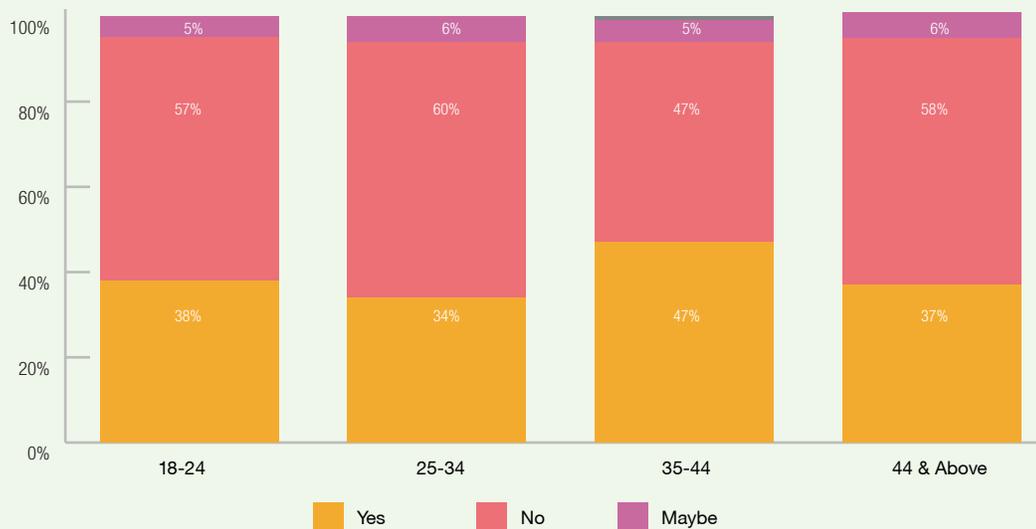


## Which of the following ways are you currently exploring to buy your vehicle?

While the most sought-after method to buy a car still is a combination of car finance and down payment as it occupies top spot, there is a clear emergence of a set of consumers who are willing to explore vehicle subscription services as their means of owning a car.

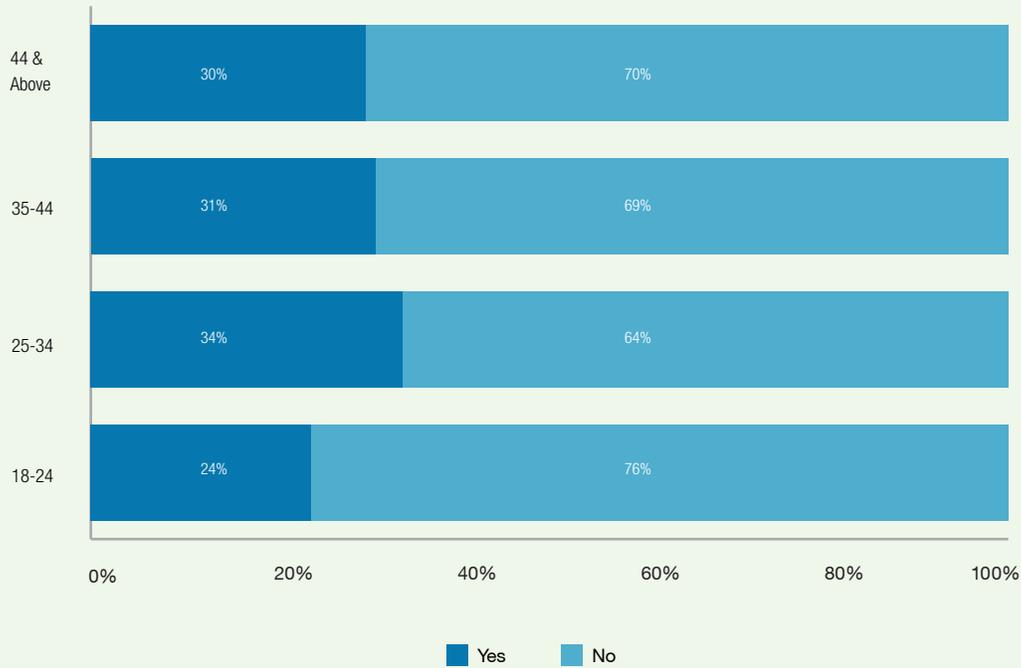


## If given a hassle free, no resale risk, no upfront commitment to own a car, will you be ok if the car is not in your name?



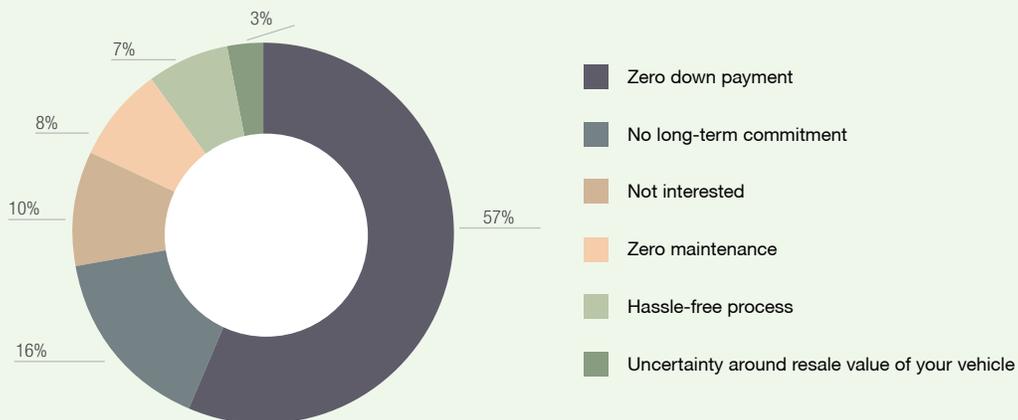
## Are you aware of vehicle subscription services?

For respondents who did not choose “vehicle subscription” as a preferred choice of payment in earlier question, they were asked if they are aware of vehicle subscription services. As can be seen, close to 70% respondents were not aware of such services, clearly indicating a lack of awareness amongst consumers.



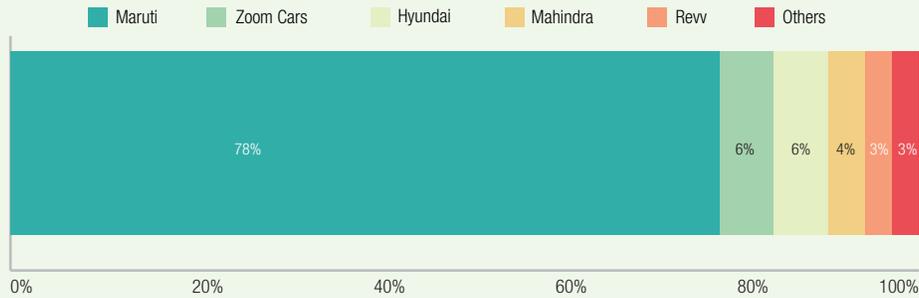
## What are the reasons for choosing a subscription service?

For respondents who selected vehicle subscription, we asked them as to what compelled them to explore vehicle subscription. It is a clear indication from the findings that today's consumer avoids blocking cash, they do not want a long-term commitment and hence want more liquidity at their disposal.



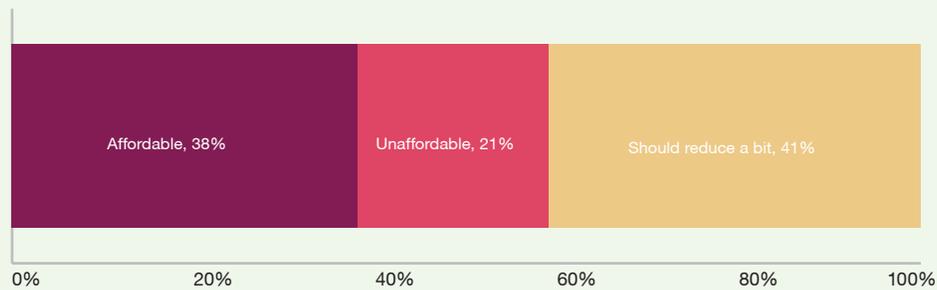
## Which of the following subscription services are you aware of?

No prize for guessing, Maruti being the bell weather of Indian automobile industry with a vehicle subscription product already rolled out in the market, backed by marketing efforts, occupied top slot in a consumer mind space.



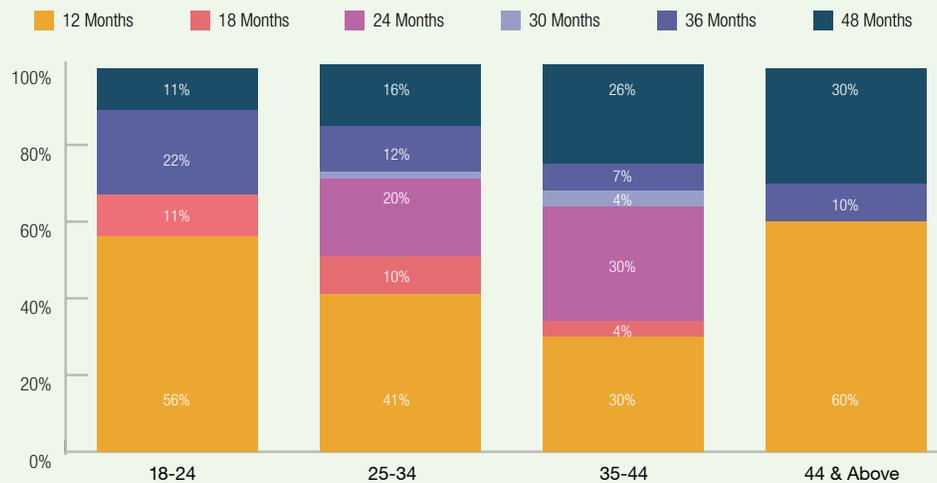
## What is your take on the current vehicle subscription pricing offered by brands?

Majority of respondents believe the current pricing model is either too high or needs some correction before they can consider this as a viable option.

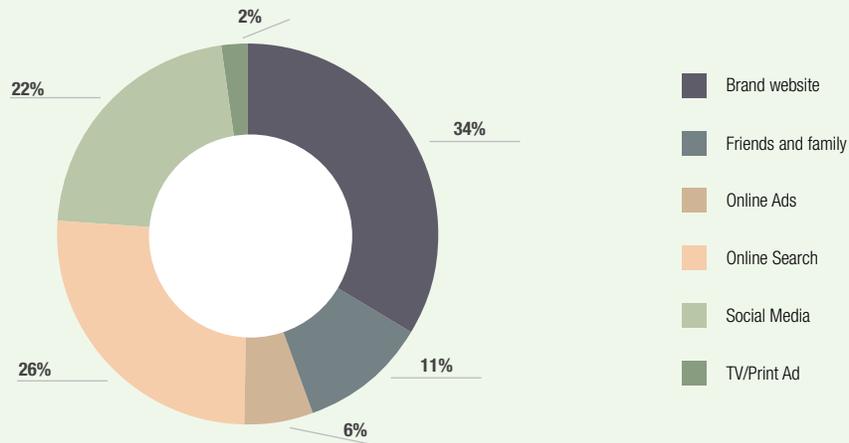


## Which of the below lock-in tenure would you be most comfortable with?

Of the various tenure options for Car subscription, a tenure of 12 months has been widely accepted by most respondents. It indicates that consumers want this proposition for a shorter period and have some flexibility with them. This is more so in the case of consumers in age group 18-24 and 45 and above who do not want to block their cash and who consider buying most of the things for a shorter duration.

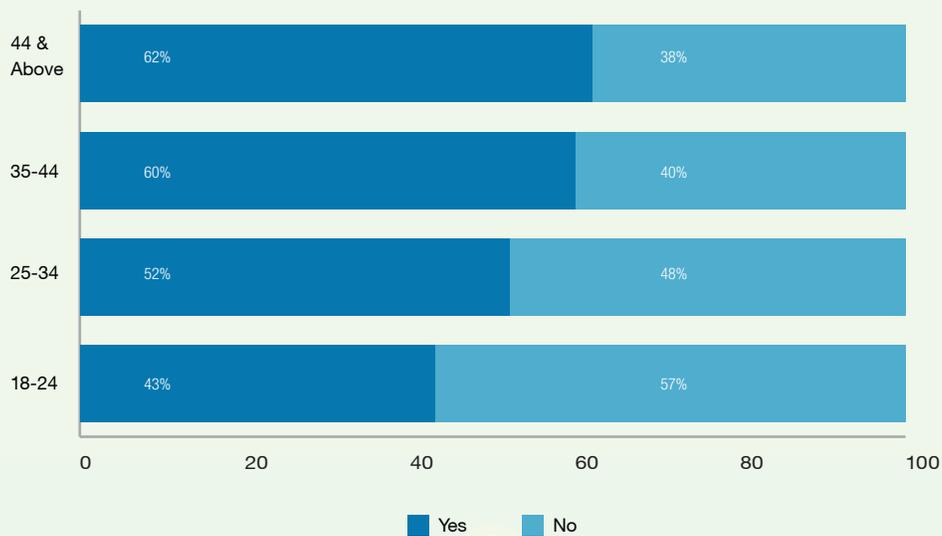


## How did you get to know about this service?



## Would you like us to arrange a call to discuss and know more about subscription service?

One of the core objectives of the survey was to understand if, weather aware or not, is the respondent willing to know more about car subscription service. Survey findings reveal that majority of the respondents specifically of age 35 years and above are willing to speak to an expert and explore further details about the proposition.



# KEY INSIGHTS

- There is an emotional quotient in a car ownership, this stems from the fact that in CarDekho survey findings, majority of respondents still want the car to be in their name. However, an interesting observation from the findings reveal that respondents in age group of 35-44 are ok to possess a car which is not in their name. Brands need to communicate and educate consumers about benefits of car subscription service; this should be backed by content which is informative and a decision enabler.
- There is a certain age group which is exploring vehicle subscription as one of the ways to own a car, this is a positive sign as recent marketing initiatives from some of the top OEMs are paying off. Respondents in age 35 years + have registered highest intent to explore this service.
- “Zero down payment” appealed to over 57% respondents, signifying their desire to restrict their cash from getting blocked, these consumers are in for a shorter play.
- Close to 70% respondents are unaware about car subscription services, this is critical as respondents are in-market car buyers who are in exploratory mode. There is a need for brands to demarcate their TG basis demo and geo and accordingly initiate marketing efforts to make a consumer aware and position this proposition in a consumer mindset.
- With 78% respondents, Maruti, a market leader in automobile captures a lion’s share in brand recall in terms of consumers being aware about Maruti being in market with this proposition.
- The most sought-after tenure for a car subscription service is 12 months, with over 40% opting for it. Additionally, majority of respondents within age group of 18-24 and 45 years+ are comfortable with a 12-month tenure with 56% and 60% respectively. With this piece of information, brands can leverage by positioning this tenure in their marketing communications.

