

Marketing Strategy of Vehicle Finance

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Abstract

This paper briefly tries to evaluate the marketing strategy of vehicle finance. For this purpose, an empirical study is undertaken on Western Uttar Pradesh vehicle finance companies covering Bareilly, Moradabad, Meerut and Ghaziabad. The researcher measures and evaluates current state of customers' satisfaction or dissatisfaction with regard to purchase made by consumers belonging to middle income group. This research examines the impact of vehicle finance activities on consumers, marketing intermediaries and other related group. The result of this empirical study reveals that there is no association between consumers' overall experience as a customer of vehicle finance schemes and measure of consumers' awareness about terms of vehicle finance and sources of information on various vehicle finance schemes.

1. INTRODUCTION

Marketing as a managerial function is aimed at to provide direction and purpose to a company through the collection and interpretation of information on the company's market, products, and competitors. Marketing uses market segmentation and product differentiation as strategies for superior positioning of the product to offer enhanced customers' value through integrating customers' services to a greater extent now than ever before. Indian consumer is fast changing his habits borrowing money to buy products, he wants and not merely those he can currently afford. Today the key explanation provided to Indian consumer finance market has been termed as the target consumer boom. Consumer finance is a win-win system. It includes three parties i.e. consumer, producer and consumer finance company or bank. The three major areas of consumer financing are housing finance, vehicle finance and in-house consumer finance.

Own vehicle is the dream of so many Indian people. Bank and Vehicle Finance Companies are making this dream come true by providing the vehicle loan facility. Vehicle finance companies are providing loans at low interest rate, flexible repayment options and money saving features such as zero application charges, nominal processing fees and no-payment charges of the loan amount every year. They are offering loans for new vehicle as well as old vehicle.

In the field of vehicle finance an offering of financial service begins with the key problem faced by the vehicle financiers with regard to promoting of more or less an uninformed product and service, which unlike most packaged goods have intrinsic differences. Broadly, there are two types of vehicle finance facilities. Vehicle finance

facilitates buying of four wheelers that mainly consist of cars as well as two wheelers that may be motorbikes, scooters or scooty. It has grown because of prevalent competition, the low rate, ease of producers and formalities etc. it is being influenced by processing fee, loan clearance time, requirement of documentation and methodology being followed in computation of interest. The vehicle market has shown both vertical and horizontal expansion.

2. COVERAGE OF THE RESEARCH

The study has been undertaken to measure and evaluate current state of consumers' satisfaction or dissatisfaction with regard to purchase made by consumers belonging to middle income group through vehicle financing schemes in the selected cities of Western Uttar Pradesh i.e. Bareilly, Moradabad, Meerut and Ghaziabad during 2009-2010.

3. OBJECTIVES OF THE RESEARCH

The study is conducted with the basic objective of finding out as to what are the various schemes provided by banks and vehicle finance companies for facilitating the purchase of a four wheelers as well as two wheelers for an average Indian buyer. Financing a vehicle involves a lot of technicalities like the kind of vehicle to be financed, the route on which the vehicle will be plying, the operating expenses of the customer, etc. The major objectives of the research have been as follows:

- (1) To find out consumers' awareness about vehicle finance activities i.e. sources of vehicle finance, terms of vehicle finance, buying of vehicle through vehicle finance, purchase of vehicle through vehicle finance and specific sources of vehicle finance (two-wheelers and four wheelers);
- (2) To find out problem faced by consumers in availing of vehicle finance;
- (3) To measure and evaluate consumers' experience and consumers' expectations regarding vehicle finance; and
- (4) To analysis consumers' post purchase behaviour with regard to administrative facilities provided to them by the vehicle finance agency.

4. HYPOTHESIS OF THE RESEARCH

The hypothesis tested for vehicle finance has been as follows:

- (1) Consumers experience and consumers' expectation with regard to availing of vehicle finance are independent;
- (2) There is no significant association between consumers' overall experience as a customer of vehicle finance scheme and consumers' awareness about terms of vehicle finance; and
- (3) There is no significant association between consumers' post purchase behaviour and consumers' over all experience as a customer of vehicle finance scheme.

5. RESEARCH DESIGN AND METHODOLOGY

The research design is a master plan specifying the procedure for collecting and analyzing the needed information. The sources have been used for the collection of data and information mainly problem reference books, journals, magazines, business newspapers and other published sources. The necessary information has also been collected from companies, marketing intermediaries and consumers by personal visits. The primary data has been collected from representative samples using the non-probability sampling methods. The sampling tools has been relating to vehicle finance has been regarded as a representative sample in the research.

The primary data has been collected in the first four major cities i.e. Bareilly, Moradabad, Meerut and Ghaziabad of Western Uttar Pradesh having highest urban population according to census'2001. The total number of respondents is 120 representing 30 numbers of respondents from each city. The collected data has been scrutinized, edited and validated and it has been presented in the form of tables. The hypothesis has been tested with the help of chi-square analysis. The other criterions in the research paper for selecting sample (number of dependents) are:

- Age-wise distributions,
- Occupation-wise distributions,
- Income-wise distributions, and
- Education-wise distributions

The highest consumer awareness has been found in case of Vehicle Finance schemes offered by distributors, dealers (78 percent), vehicle finance companies (77 percent) and subsidiary finance company of auto companies (69 percent) followed with nationalized banks (59 percent). In case of the private banks for vehicle finance, it is only 26 percent.

Table--1
Showing Age-wise distribution

Age – wise Distributions

Age Group	No. of Respondents	Percentage of the Respondents
Below 30 years	08	06.67
30-40 years	36	30.00
40-50 years	61	50.83
Above 50 years	15	12.50
TOTAL	120	100.00

Table--2
Showing Occupation-wise distribution

Occupation – wise Distributions

Occupation	No. of Respondents	Percentage of the Respondents
Services	72	60.00
Professional	18	15.00
Self-employed	128	23.33
Others	02	01.67
TOTAL	120	100.00

DATA ANALYSIS

Table--3
Showing Income-wise distribution

Income – wise Distributions

Yearly Income	No. of Respondents	Percentage of the Respondents
Upto Rs. 1.5 Lacs	28	23.33
More than Rs. 1.5 to Rs. 3 lacs	56	46.67
More than Rs. 3 to Rs. 5 lacs	23	19.17
More than Rs. 5 lacs	13	10.83
TOTAL	120	100.00

Table--4
Showing Education-wise distribution

Education – wise Distributions

Education	No. of Respondents	Percentage of the Respondents
Undergraduate	16	13.33
Graduate	60	50.00
Postgraduate	18	15.00
Professionals	26	21.67
TOTAL	120	100.00

Table - 5

Consumers' Awareness regarding Sources of vehicle finance

Sr. No.	Sources of Vehicle Finance	Respondents who are aware about various sources of Vehicle Finance			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage of the Respondents)
1.	Nationalised banks	71	59.2	49	40.8
2.	Foreign banks	48	40.0	72	60.0
3.	Co-operative banks	47	39.2	73	60.8
4.	Private banks	31	25.8	89	74.2
5.	Subsidiary finance company of auto companies	83	69.2	37	30.8
6.	Vehicle Finance Companies	92	76.7	28	23.3
7.	Vehicle Finance schemes offered by distributors, dealers	94	78.3	26	21.7

The terms, which recorded very high awareness, are installment (98 percent), loan amount (98 percent), rate of interest (97 percent) and loan documents (94 percent), and processing fees (78 percent). The lowest percent of awareness is found in terms of administrative expenses (64 percent) and security deposit (58 percent) respectively. In nutshell, the consumers' overall awareness

with regard to commercial terms has been found to be very impressive and noteworthy.

The overall awareness with regard to buying of vehicles through vehicle finance is found very high. The score of motorbike is 88 percent, whereas scooter and scooty recorded 83 percent of awareness. It has been found that 78 percent in cars.

Table - 6
Consumers' Awareness regarding Sources of vehicle finance

Sr. No.	Terms of Vehicle Finance	Nos. as well as percentages of respondents who are aware about various sources of Vehicle Finance			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage the Respondents)
1.	Loan amount	117	97.5	03	20.5
2.	Margin money amount	71	59.2	49	40.8
3.	Rate of interest	116	96.7	04	3.5
4.	Installment	118	98.3	02	1.7
5.	processing fees	93	77.5	27	22.5
6.	Administrative expenses	77	64.2	43	35.8
7.	Loan deed or loan agreement	78	65.0	42	35.0
8.	Loan documents (These are required along with application form)	113	94.02	07	5.8
9.	Security deposit	69	57.5	51	42.5
10.	Advance EMIs (Equal monthly Installment)	102	85.0	18	15.0

Table - 7
Consumers' Awareness about Buying of Vehicle through Vehicle Finance

Sr. No.	Vehicle to be bought through vehicle of Vehicle Finance	Nos. and percentages of respondents areness about behicle that can be purchased through vehicle finance scheme			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage the Respondents)
1.	Car	93	77.5	29	22.5
2.	Motorbike	105	87.5	15	12.5
3.	Scooter	100	83.33	20	16.7
4.	Scooty	99	82.5	21	17.5

Table - 8
Consumers' Purchases of Vehicle through Vehicle Finance

Sr. No.	Purchases of vehicle Through vehicle Finance Scheme	Nos. and percentages of respondents' who have actually availed Vehicle Finance for purchase of vehicle			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage the Respondents)
1.	Car	24	20.0	96	80.0
2.	Motorbike	33	27.5	87	72.5
3.	Scooter	39	32.5	81	67.5
4.	Scooty	24	20.0	96	80.0

The total percent of vehicles overall purchased through vehicle finance has been found high in case of two wheelers (80 percent) and scooters top the list with

33 percent followed with motorbikes (28 percent) and scooty (20 percent) respectively. The 20 percent of consumers purchased cars through vehicle finance scheme.

Table - 9
Consumers' Awareness of Specific Sources of Vehicle Finance (Two-Wheelers)

Sr. No.	Banks and vehicle finance companies	Nos. and percentages of respondents' who have aware about two-wheelers			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage of the Respondents)
1.	Bajaj Auto Finance	110	91.66	10	8.33
2.	State Bank of India	86	71.7	34	28.3
3.	ICICI Bank	67	55.8	53	44.2
4.	IndusInd Bank	27	22.5	93	77.5

Table - 10
Consumers' Awareness of Specific Sources of Vehicle Finance (Four-Wheelers)

Sr. No.	Banks and vehicle finance companies	Nos. and percentages of respondents' who have aware vehicle finance for purchase of vehicle			
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)	No (No. of Respondents)	No (Percentage of the Respondents)
1.	ICICI Bank	44	36.4	76	63.3
2.	Mahindra Finance	14	11.7	106	88.3
3.	Ashok Leyland Finance	11	9.2	109	90.8
4.	Tata Motor Finance	21	17.5	99	82.5
5.	HDFC Bank	38	31.7	82	68.3
6.	Canara Bank	28	23.3	92	76.7
7.	Punjab National Bank	37	30.8	83	69.2
8.	Bank of India	29	24.2	91	75.8
9.	Allhabad Bank	33	27.5	87	72.5
10.	Bank of Baroda	25	20.8	95	79.2
11.	Maruti Finance	23	19.2	97	80.8
12.	Fullerton	11	9.2	109	90.8
13.	Shriram Finance	28	23.3	92	76.7
14.	State Bank of India	42	35.0	78	65
15.	Union Bank of India	11	9.2	109	90.8
16.	Indusind Bank	17	14.2	103	85.8
17.	Kotak Primus	10	8.3	110	91.7
18.	Axis Bank	06	5	114	95

In case of consumers' overall awareness about specific source of vehicle finance in case of two-wheelers Bajaj Auto Finance has the highest score (92 percent) and IndusInd Bank has the lowest score (23 percent) respectively. State Bank of India has high awareness level of 72 percent followed with ICICI Bank with 56 percent.

In case of car ICICI Bank and State Bank of India are on the top in the mind of consumers with 37 percent and 35 percent and other sources are HDFC Bank (32 percent), Punjab National Bank (31 percent), Bank of India (24 percent) and Shriram Finance (24

percent) respectively. These sources have lower awareness about Ashok Leyland Finance, Fullerton And Union Bank of India with score of 9.2 percent. The other few sources recorded moderate awareness in mind of consumers. In case of scooters Honda and Bajaj top the list whereas in case of motorbike and scooty TVS and Hero Honda are preferred by the respondents mainly Maruti Suzuki's car is found popular in car segment. Honda Scooter is on top of the list with more than 80 percent respondents having purchased scooters from it. Bajaj is having a share of 16 percent. Honda Activa and

Bajaj Chetak are popular. In the motorbikes, Hero Honda is the leading one with the Splendor and Passion as 60 percent of respondents. In the Scooty sector, Sunny Zip and Pleasure are being purchased by 50 percent of respondents. Scooty is being purchased by 20 percent of respondents. In the car sector, Maruti Suzuki is being purchased by 62 percent of respondents with its different models like Maruti Suzuki Alto, Wagon-R and Swift. The others' share includes 38 percent respondents.

6. FINDINGS ON CONSUMERS' SATISFACTION

Consumers' expectations and interest factors-information and explanation of vehicle finance schemes, procedures and formalities in availing of vehicle finance scheme, vehicle finance schemes as an offer, and relevant changes of vehicle finance schemes are independent.

There is no association between consumers' overall experience as a customer of vehicle finance schemes and measures of consumer behaviour viz.,

Table-11
Consumers' Satisfaction (Consumers' Experience and Expectations)

Sr. No.	Interest Factors	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	Information and explanation on vehicle finance schemes as provided to consumers by vehicle finance companies	16.05057 (D.F.=01)	Significant
2.	Procedures and formalities in availing of vehicle finance schemes	0.02790 (D.F.=01)	Not Significant
3.	Vehicle finance schemes as an offer	120.00000 (D.F.=01)	Significant
4.	Relevant charges of vehicle finance schemes	120.00000 (D.F.=01)	Significant

Table-12
Consumers' Overall Experience as a Customer of Vehicle Finance Scheme

Sr. No.	Measures of Consumer	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	Consumers' awareness about terms of vehicle finance	33.68131 (D.F.=08)	Significant
2.	Sources of information on various schemes	3.45669 (D.F.=08)	Not Significant

Table-13
Consumers' Overall Experience as a Customer of Vehicle Finance Schemes, and Consumers' overall experience and opinion on Selected Criteria related to Vehicle Finance Company and Vehicle Finance Schemes

Sr. No.	Criteria	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	Overall experience about the information given by the vehicle finance companies to consumers.	34.41785 (D.F.=16)	Significant
2.	Overall experience about the usefulness of the vehicle finance scheme.	55.98258 (D.F.=12)	Significant
3.	Overall experience about the rate of interest charged by the vehicle finance company.	52.39738 (D.F.=16)	Significant
4.	Overall experience about administrative facilities given by vehicle finance companies.	120.88492 (D.F.=08)	Significant

consumer's awareness about terms of vehicle finance, and sources of information on various vehicle finance scheme.

The consumers' overall experience as a customer of vehicle finance schemes is independent one with reference to criteria- consumers' overall experience about the information given by the vehicle finance company and usefulness of the vehicle finance scheme, as well as consumers' overall opinion about the rate of interest charged by the vehicle finance company, and administrative facilities given to them by vehicle finance company.

Consumers' overall experience as a customer of vehicle finance scheme is dependent on consumers' perception that vehicle finance companies make them to buy products, which they may not need. There is no association between consumers' post-purchase behaviour and consumers' overall experience as a customer of vehicle finance schemes. The consumers' overall satisfaction with the product performance and post-purchase behaviour of consumers is independent.

The consumers' overall opinion about the information given by the vehicle finance agency, and problems faced by consumers viz., requirement of too many documents to be submitted to vehicle finance

agency by consumers, long period of time taken by vehicle finance agency in scrutinizing. Vehicle finance by vehicle finance agency and payment of penalty in case of default by consumers which takes place due to reasons beyond their control are independent. There is no association between the consumers' overall experience about the information given to them by the vehicle finance agency and post-purchase behaviour of consumers.

7. PROBLEMS AND PROSPECTUS OF VEHICLE FINANCE IN INDIA

The Indian vehicle companies will have to think globally and act locally. The vehicle industry is expected to grow at around 14 to 15 percent a year. It has become highly essential to tackle some of the challenges relating to infrastructure development, high rate of taxes, duties and high interest rates.

The Indian vehicle industry should focus more on hi-tech products, total quality control, and the Indian reputation on the quality front has to be tackled in the long run for tapping the export market.

One key determinant of demand is acquisition cost, which is primarily based on sale price and current income levels. Over 50 percent of the acquisition cost of passenger cars still goes towards paying taxes. This consists of 40 percent of excise duty, 10-15 percent

Table-14

Consumers' Overall Experience as a Customer about Vehicle Finance Schemes, and Consumers' perception about Vehicle Finance Companies in making them to buy products with they not need.

Sr. No.	Criteria	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	The vehicle finance companies make customer to buy products which they may not need.	52.82820 (D.F.=16)	Significant

Table-15

Consumers' overall experience as a customer of Vehicle Finance schemes and consumers' post-purchase behavior

Sr. No.	Criteria	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	I would continue to buy through vehicle finance scheme even in future	21.70342 (D.F.=16)	Not Significant
2.	Repurchase of improved make (vehicle) by consumers	16.42544 (D.F.=16)	Not Significant
3.	Recommendation of this vehicle to others	27.36883 (D.F.=16)	Not Significant

import duty, 1-10 percent sales tax, 3-4 percent on insurance and 1-2 percent towards road and registration tax. It was, therefore very much expected from the government in the budget of the year 2010 that it will bring about rationalization in the excise duty structure and will reduce it from 40 percent to 25 percent, in order to boost demand of car in India in near-future. The only way Indian manufacturers can be globally competitive in the supply chain is through the introduction of a national Value Added Tax (VAT) system. India's push towards modernization can only succeed by creating a market pull by mandating and incentivizing scrapage. Without this, the emission regulations also will fail to deliver the desired benefits. Inspection, too, need to be modernized, through computerization. Apart from the technology, the challenge before the industry is to enhance the value of the product offering without increasing costs. But any

delay can be worse. Marketing can be considered as process designed to create, build and maintain beneficial exchange and relationships with target customers. It is an aimed at to deliver desired consumers' satisfaction in a most effective and efficient way. Marketers are constantly trying to find out innovative way so that not only they can also build up relationships with them in a strategic way. Consumer finance, which is now increasingly becoming part of organized sector, is such an innovative being renovated by number of companies with a win-win strategy at the market place.

As on today, we find dominance of the unorganized sector in area of vehicle finance in the form of consumer credit. The reason for slow and gradual participation of the organized vehicle financing activities can be largely attributed to customs, traditions, and partly Government policy may be held responsible for misnomer

Table-16

Consumers' overall satisfaction with the product performance and post-purchase behaviour of consumers

Sr. No.	Criteria	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	Repurchase of improved make (vehicle) by consumers	52.06624 (D.F.=12)	Significant
2.	Recommendation of this vehicle to others	32.74879 (D.F.=12)	Significant

Table-17

Consumers' overall experience about the information given by the Vehicle Finance agency and problems faced by consumers

Sr. No.	Selected problems being faced by Consumers	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	I have to submit too many documents	19.56040 (D.F.=16)	Not Significant
2.	It takes a very long period in scrutinizing finance	25.73767 (D.F.=16)	Not Significant
3.	I have to make payment of penalty in case of default in payment which takes place due to reasons beyond my control	60.73767 (D.F.=16)	Significant

Table-18

Consumers' overall experience about the information given to them by the Vehicle Finance agency and post-purchase behaviour of consumers

Sr. No.	Selected problems being faced by Consumers	χ^2 value and degree of freedom (D.F.)	Significance at 5 percent level of significance
1.	I would continue to make use of vehicle finance scheme even in future	28.81469 (D.F.=16)	Significant
2.	I would also recommend vehicle finance schemes to others	237.31898 (D.F.=16)	Significant

about concept, use and application of vehicle finance. It has been observed in India that due to shortages the concept of consumption has been always discouraged till the recent past. The savings have been believed, to be a better option rather than spending.

8. VEHICLE FINANCING IN FUTURE

It is true that because of increased awareness, entry of multiple players and induced wider range offering of vehicle finance scheme for variety of buying needs, competition, market pressures, economic conditions and Government policy, vehicle financing activities will have to become customer-oriented and user-friendly. It appears that in near future battle of this rapidly growing potential market will be gradually influenced by credit and business in a big way. In conclude the vehicle sector and government need to take initiative to cut the price, increase quality and provide better value to the customers.

9. CONCLUSION

The conclusion of vehicle finance in brief is given as follows:-

- The respondents' awareness is found very high about companies and nationalized banks as a source of vehicle finance.
- The primary source for availing of vehicle finance is vehicle finance companies, nationalized banks, private banks and subsidiary finance companies of vehicle manufacturers.
- The respondents awareness is high about terms of vehicle finance like finance amount, margin money requirement, rate of interest, finance installment and

moderate in case of terms viz. processing fees, administrative expenses, advance EMIs and security required from them. The respondents are unaware about terms relating to other relevant charges of vehicle finance.

- Newspaper and friends are found as the most important sources for receiving information.
- Consumers avail vehicle finance based on criteria i.e. rate of interest, service to be provided to them by the vehicle finance companies, finance amount and repayment period in vehicle finance. The vehicle finance are sanctioned based on repayment capacity, employment status, assets and liabilities and other aspects in vehicle finance.
- Majority of respondents has high awareness about uses of vehicle finance to buy cars.
- Majority of respondents availed vehicle finance of Rs.2 lakh to 5 lakh and preferred 36 EMIs by making down payment and advance EMIs to vehicle finance companies.
- Majority of respondents are aware about annual reducing balance basis as method interest calculation in vehicle finance.
- The reasons reported for availing vehicle finance are ease of getting vehicle finance, payment in EMIs and early buying of vehicle finance.
- The major problems being faced by respondents are penalty for pre-payment and non-payment as well as lack of information on risk factors and explanation on methods of interest calculation in vehicle finance.
- Majority of the respondents are found to be satisfied in vehicle finance.

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