Are Indian Car Buyers Not Serious About Safety? A Case Study of Maruti Suzuki India Limited

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It is 10 minutes past 6 PM and the day did not seem to be different to Sushil Jayawant, Regional Manager, Gable Industries, as he started leaving his office. The phone on the desk started ringing. For a while he thought of ignoring but slowly picked up the receiver.

"Good Evening Sir, sorry to bother you, can I continue?" the tone appeared to be polite.

"Yes, go ahead", replied Jayawant.

"Thank you Sir, this is Aashik from Clayton Motors. It is about your car purchase Sir".

"Oh, thanks for calling. I have not finalized. I am leaving the office now and may be next week I will call you", Jayawant hung up without waiting for the reply.

Yes, Jayawant thought for a while. How long he can postpone his decision? He is currently under slight pressure and is due for a major decision concerning about buying his first car. Having done his degree in engineering followed by a master's degree in management from a low rung institute, he had come up in life through the hard way. After about a decade of settling in his job, the third in his career, he has to now carefully decide about non-career related issue, this is his dream purchase. With his kid growing taller by the day, and wife and aged mother to be taken to several places, he badly wanted to upgrade

from his old scooter. He visited a few showrooms and checked up the websites but still could not decide. In the office parking lot he used to notice cars of diverse variety, shape, color and make, but the more he saw the more he was confused. Being a technical graduate he was able to get an idea about the features and structure of the car, but was not able to decide. Was he looking for something in particular? What is it?

Car Market in India

"Car buyers in India have increased in number" may look like a dated statement. Ever since "Maruti 800", the first modern car to roll out of Maruti Suzuki joint venture car manufacturing company, hit the roads in the eighties, the car scenario completely changed in the country. Compelled to buy either Ambassador or Fiat, the only two reputed brands in those days, Indian car buyers hardly had scope to do any calculation except for checking the on-road price. But it all had vanished. With a plethora of models and variants to choose from, the Indian car buyers could not have thought of a better bargain. Both the domestic and foreign carmakers are vying with each other for the common pie. The automakers from the USA and the Europe have firmly seated in India and have expanded their network of branches and dealers. The Japanese automakers who started off with joint ventures in both two and four wheelers manufacturing in India, have brought their Suzuki, Honda, Mitsubishi, and several other popular brands to India.

Not to be outdone, the local automakers, in particular the Tatas, known for their commercial vehicles like trucks and buses, did not lie down but started offering many models in terms of size, capacity, and of course price. These indigenously designed and produced cars too have made their impact and created their own loyal customers. In fact Tata Nano, the ambitious small car, touted as the car under one lac rupees, became iconic even before its official debut on the Indian roads.

When anybody wants to discuss the car market in India, one simple way to look is to consider the pre- and post-Maruti period, because of the dramatic changes that occurred after the introduction of Maruti cars. Their first car namely, Maruti 800 was touted as the "people's car, as the car was made affordable to the large mass of middle income group customers in India. Later the company cleverly built its cash cows but started adding the "stars" in the form of Zen, Maruti 1000, Esteem and later Swift, and Sx 400. Further the company also imported the high end cars from its partner Suzuki Motor Corporation, Japan, like Grand Vitara. This strategy was more or less followed by other companies who wanted to make their presence felt in all the segments. Watching these developments, the US and the Europe car makers too have brought their wide range of cars trying to meet the demands across different segments. A quick look at the Figure 1 illustrates the variants and their preferences in India, (Team BHP, 2014). These figures represent the sales pattern in a recent month and are reflective of the current pattern of demands.

Car designs and the Percent Sales during April 2014

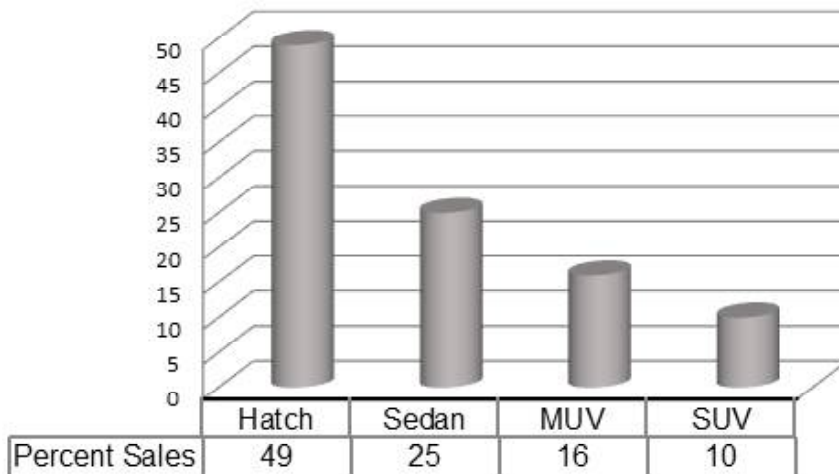|	Hatch	Sedan	MUV	SUV
Percent Sales	49	25	16	10

Figure 1. Percent sales of cars based on designs

As quoted in www.wikipedia.com, a hatchback may be described as three-door or five-door hatch with one door at the rear, usually swinging up to open up the cargo area and the remaining doors enabling entry and exit of people from the sides. A sedan is a passenger car in a three box configuration. SUV stands for Sports Utility Vehicle and has a mini truck like platform. Few vehicles from this segment are Mahindra Scorpio, Toyota Fortuner, Maruti Grand Vitara, Tata Safari, Ford Endeavour and Honda CRV. MUV stands for Multi Utility Vehicle and used for various purposes like diving on different terrain, carrying load, carrying passengers, etc. Toyota Innova, Mahindra Xylo, Tata Sumo and Mahindra Bolero are some of the vehicles under this category. (http://wikipedia.com/differencebetween.info/difference-between-suv-muv-and-xuv).

Interestingly enough, the luxury cars like Mercedes Benz, Audi, Jaguar, Skoda Octavia, and others also started entering India. A prominent brand from UK, Bentley thought of selling just one per month but ended up selling three per month. This further opened up the gate for the foreign car makers, who had all thought that Indian car buyers go largely by pricing. They were proved wrong when the luxury car makers also started making a dent in the market. The earlier opinion of India being a price conscious consumer market had to be revised as the market pundits were looking for possible explanations. Definitely it is worth examining the behavior of car buyers in India.

Car Buyers in India and their Buying Behavior

Car sales in India got a major boost two decades ago with the country opening up after liberalization, globalization and privatization happened in a big way in India heralding a new era in the early nineties. Maruti Suzuki and Tata Motors expanded their operations in terms of volume and variety and started offering many new models. The auto makers from USA, Europe and Japan started entering the country and released their latest models and proved to be giving a tough fight to the local manufacturers. This resulted in a big choice for the Indian buyers who were delighted about the variety available in the market.

Several researchers have examined the buyers' behavior with respect to the buying of cars in India. In a recent survey, on four-wheeler segmentation, it is stated that emotive needs such as potency, prestige, and status account for over 50 per cent of the car buyers in India.

The survey also has tried explore the hidden motivations behind car purchase and customer perceptions of all available brands in India, (TNS, 2013). This survey indicates that Indian car buyers are more interested in creating a brand image for themselves through the car they buy and hence put one among the six factors namely potency, prestige, status, ambition, liberation, and adventure, as the prime factor in buying the car. The survey also revealed that the buying preferences are almost the same for both small and luxury cars.

However, Indian car buyers are found to swing their decisions based on fuel-efficiency and hence the car manufacturing companies are investing in newer technologies that would ensure higher efficiency giving more distance for every litre of the fuel consumed. Honda became the leader by launching a new technology called "earth dreams" and because of this the Honda company even dislodged Maruti Suzuki from the number one position, which used to claim its Alto car as the most fuel efficient car in India, (Chauhan, 2014).

Jayawant's Homework

When Jayawant discussed the matter of his car buying with this friends and colleagues, everybody was of the opinion that he should start off with an entry level car only because he is yet to get the complete control of car driving and not used to drive in a chaotic traffic system. This opinion was almost supported by his wife and mother who also felt that he should now go for only a small car keeping in mind both the financial and technical issues. Jayawant also felt the same way. But being a typical buyer from the middle class family and also with a research bent of mind he decided to look at the market leader in that segment and obviously zeroed on the Maruti Suzuki. He thought that

he should be reasonably convinced that his decision to buy a small car should be seen not as his incapability to afford a big car but more as a rational decision based on meticulous assessment. So he started exploring into the company along with the product details.

Maruti Suzuki Limited, India – The Market Leader

The first car released for public by the company was Maruti 800 and the company maintained this as a cash cow for a long time. Nicknamed as the people's car and immediately gaining popularity, Maruti 800became a super success and monopolized the market in that segment. Apart from this the company was able to offer a wide variety of models meeting the aspirations of different types of buyers coming from different income groups. An early start coupled with technological capabilities acquired through strategic partnership of a Japanese company and of course patronage from the Government, all helped the company to build its empire across the country and enabled market leader's position. As stated by Daniels (2014), Society of India Automobile Manufacturers (SIAM) indicated that Maruti Suzuki India Limited sold a total of 2,41,812 passenger cars and utility vehicles in the period April to June 2014, compared to a total of 5,73,038 units sold throughout the industry, providing the company a 42.19% market share. This more or less seems to be the pattern in the past with the company easily getting always above 40% share of the prevailing market.

Figure 2 shows the domestic sales of the company in the last decade. The sales have been continuously increasing and the company continues to be the market leader. During the same period the exports of the company too has risen to impressive level as shown in Figure 3, indicating that the company's exports too are increasing year after year.
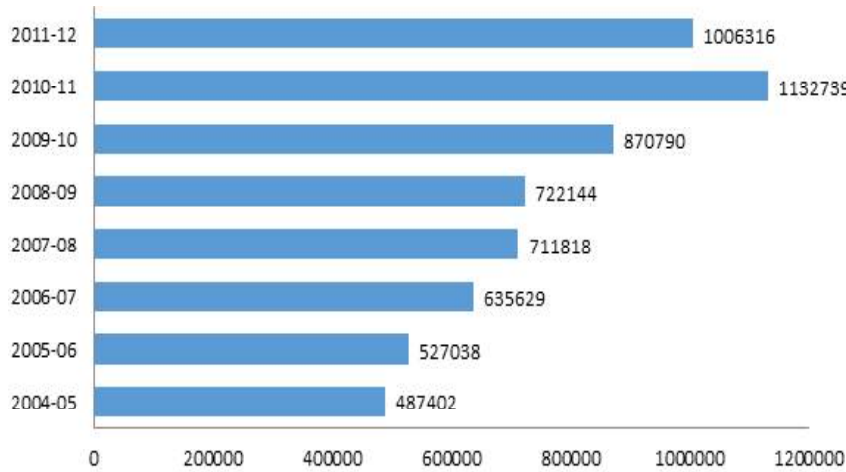
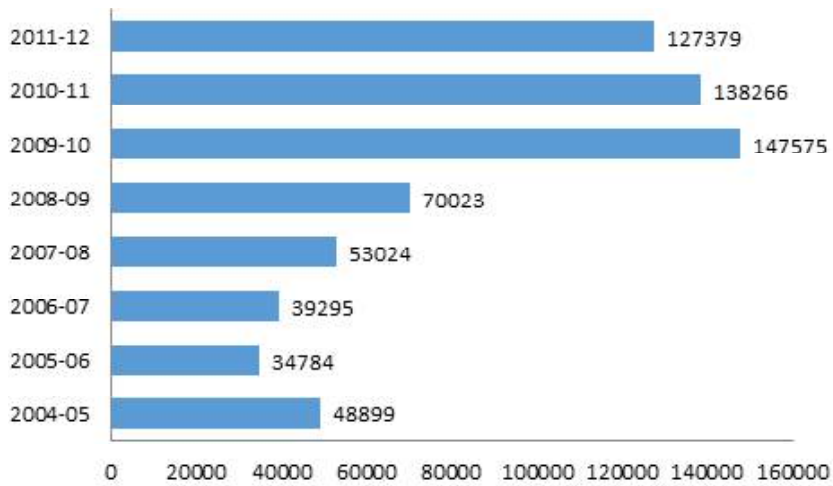Figure 2. Domestic sales of Maruti - Suzuki India Limited

Figure 3. Export sales of Maruti - Suzuki India Limited

Fine, is Alto a Right Car for Jayawant?

According to Daniels (2014), during June 2014, Maruti Suzuki India Limited (MSIL) sold 30,499 units of Alto 800 and Alto K10 as compared to 17,311 units in May. This sudden surge in sales

for MSIL could be a change in buyer sentiments because of extended excise duty cuts announced by the new Government at the centre. On a comparative basis it is Alto which has an impressive sales during the month of April 2014, (Team BHP, 2014), as shown in Figure 4. It is also evident from this chart that the top three selling brands namely Swift, Dzire, and Alto, all are from MSIL only, with the immediate next competitor able to sell around 50% of the sales from the top seller.
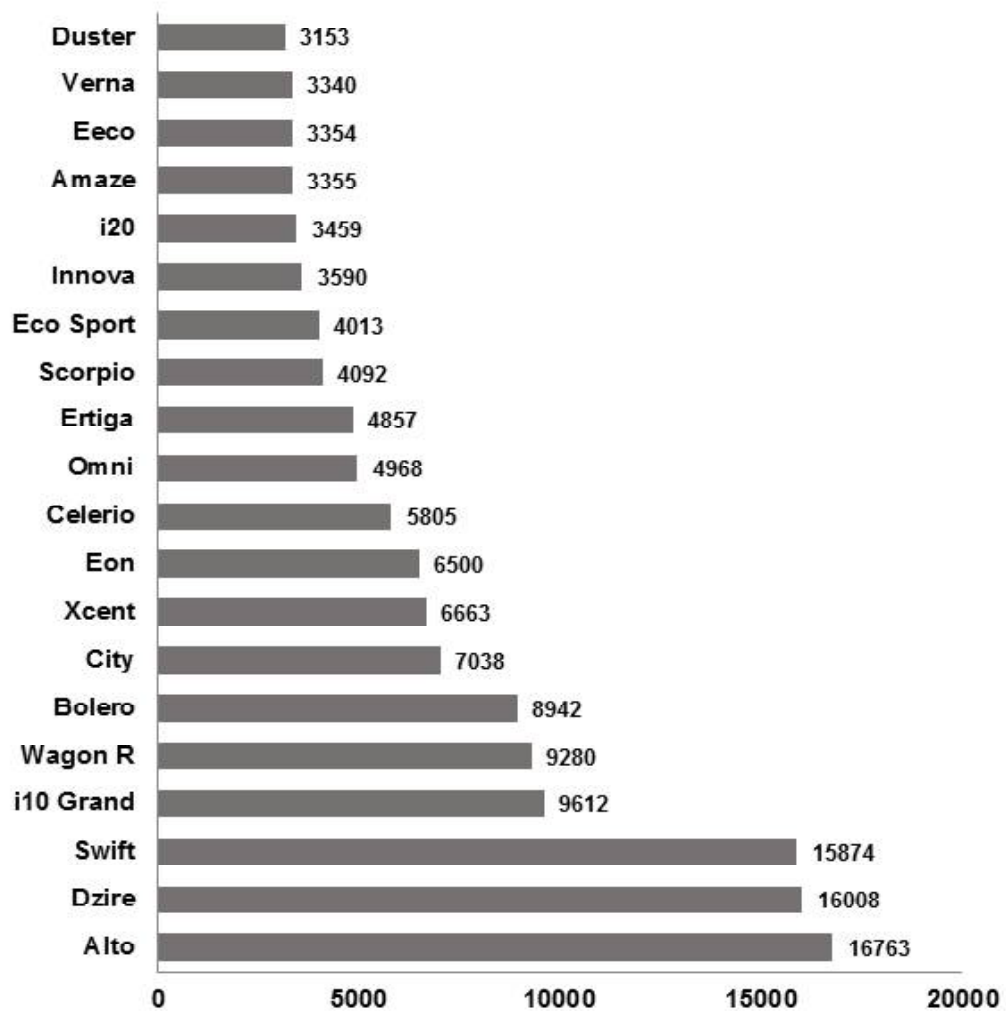

Figure 4. Sales (in units) of different brands in the car segment during April 2014.

(Source: www.team-bhp.com)

All these data clearly indicate that MSIL is the undisputed leader in the passenger car sector and also in offering different car designs and styles. So more and more people in India buy their car from MSIL and hence it can be declared as "people's car", as thought by Jayawant. Is he echoing the sentiments of the approximately 50% of the car buyers in India?

In a recent study (Deloitte, India, 2014), it was observed that car buying is not just an emotional decision as thought to be but rationality has come out as a strong aspect amongst Indian buyers. In their report titled "Driving through the consumer's mind - Considerations for Car Purchase", Deloitte says that the buyer today thinks of the requirements of the family rather than an individual, and subsequently looks at factors like the quality of the dealership for service, vehicle reliability, and re-sale value while short listing brands, thereby ensuring that several brands are considered by a buyer. Does this sound rational compared to the emotive triggers behind buying of cars? Well, if that is the case, how important is "safety" which doesn't seems to be finding a place in the parameters of comparison or judgment while buying a car?

So, What About Safety? or is Safety an Issue?

Recently a UK based professional association conducted a safety test of all the popular cars made by the Indian companies and also those made in India by the foreign companies. The results sent shock waves across the markets, (Global NCAP news, 2014). Figure 5 gives a sad status of the safety asects of cars in India.

The report released by Global NCAP News says that the first ever independent crash tests of some of India's popular and important small cars have shown a high-risk of life threatening injuries in road crashes. Further, all these cars failed in a frontal impact at 64km/h and received zero-star adult protection ratings.

RESULTS 2013			
Volkswagen POLO	✓ 2	★★★★☆	★★★☆☆
Volkswagen POLO	✗	☆☆☆☆☆	★★★☆☆
Maruti Suzuki ALTO 800	✗	☆☆☆☆☆	★★☆☆☆
Ford FIGO	✗	☆☆☆☆☆	★★☆☆☆
Hyundai i10	✗	☆☆☆☆☆	★☆☆☆☆
Tata NANO	✗	☆☆☆☆☆	☆☆☆☆☆

Figure 5. Global NCAP Results

Source:
http://www.globalncap.org/crash-tests-show-indias-cars-are-unsafe/

The cars chosen for the safety test included India's best-selling car, the Suzuki-Maruti Alto 800. In addition, the Tata Nano, Ford Figo, Hyundai i10 and Volkswagen Polo also underwent the safety assessment. As these cars add up to around 20% of all the new cars sold in India last year, the results are as devastating as the tests are for the customers in India. Also these entry level models are produced without any air bags and were found to be poor in the structural integrity which raised serious questions about the safety of the people inside the car.

As quoted in that report, Max Mosley, Chairman of Global NCAP, has said: "India is now a major global market and production centre for small cars, so it's worrying to see levels of safety that are 20 years behind the five-star standards now common in Europe and North America. He is of the opinion that the Indian consumers have a right to know about these results as it pertains their life while driving these cars.

Considering the fact that Alto 800, the Tata Nano and the Hyundai i10 cars exhibited poor structural strength, the occupants were exposed to dangerous levels of risk and because of the inherent weakness of these models, fitting them with an air bag would not serve any purpose and would not be able to protect the occupants. However the Ford Figo and Volkswagen Polo had structures that remained stable – and, therefore, with airbags fitted, would improve the people's safety. See Figure 6.

UN-R94 RESULTS		
Volkswagen POLO	X	NOT PASS
Maruti Suzuki ALTO 800	X	NOT PASS
Ford FIGO	X	PASS
Hyundai i10	X	NOT PASS
Tata NANO	X	NOT PASS
Volkswagen POLO	✓ 2	PASS

Figure 6. UN R 94 Results
(Source: http://www.globalncap.org/crash-tests-show-indias-cars-are-unsafe/

The models selected under the test also failed to pass UN's basic safety test. When the Global NCAP also assessed the same models against the UN's basic crash test which involves 40% offset frontal impact test at 56km/h, all the Indian car models failed the test, (Global NCAP news, 2014). This test is the widely applied test by major manufacturing countries and regions, including Australia, China, European Union, Japan and Malaysia. This standard is not yet applied in India. All but one of the cars tested failed to pass even this minimum standard. (See more at: http://www.globalncap.org/crash-tests-show-indias-cars-are-unsafe/#sthash.lSh2wttd.dpuf)

As reported by Dash (2014), four out of five popular small cars - Volkswagen Polo, Tata Nano, Alto 800 and Hyundai i10 - have

failed crash tests based on UN standards, even as the manufacturers maintained they were complying with Indian norms.

These results show that none of the cars in India proved to be safe and even some of the popular models found were to be very poor in safety aspects. Menon (2014) however comments that Indian car buyers get swayed by the fuel efficiency and other factors at the time of purchase and safety hardly finds a place in their assessment criteria. Sensing this the manufacturers adopted the stand that safety features are provided only in the high end cars which carry a steep price tag and the lower end cars to be offered sans any safety features to make them attractive price wise. The next question then is what are those features that are considered essential from the point of providing safety to the occupants in the car and how these parameters need to be checked. This also raises the question about the regulations prevalent under the road transport act promulgated by the Government. As such no clarity exists because most of the rules keep only the driver in mind and stipulate several conditions to ensure safety to them as well as others. These include restrictions against drunken driving, distractions due to use of electronic gadgets like music systems or cell phones, and wearing protective gear like seat belts. But the features that should be present in a car including the material strength need to be carefully ascertained before declaring any car as safe and road worthy.

So Jayawant thinks that the car he is going to buy like many other entry-level car buyers is no doubt getting a price advantage but puts the occupants under great risk. But can he expect the manufacturers to improve the situation. How long will it take for the car buyers to insist on the safety features to be fitted as mandatory so that there is no discrimination between the low and high end car buyers. When will the Government make it compulsory for the car makers to put he safety features in place in all models of the cars? Will the industry favorably responds to this move by the government or opposes fearing a drop in the sales because of the escalation in price? Jayawant is lost in all these thoughts.

How Safe are These Indian Cars?

Rohit Baluja, President of India's Institute of Road Traffic Education (IRTE) said: "These results show that India would benefit enormously from the introduction of minimum crash safety standards and clearer information for consumers about the protection new cars offer. Many cars made in India for export meet these standards already, so it's not a question of know-how or capability: India's automobile industry just needs the right incentives. With the UN's minimum safety standards and clear information for consumers, India can produce cars that are every bit as good as those in Europe and the US." (http://www.globalncap.org/category/news/)

Another crucial safety feature disregarded by the Indian car makers is the protection given to children seated inside the car, particularly kids and babies need special protection. Keeping this in mind Global NCAP has developed a separate child safety rating to each car in order to highlight the different levels of protection vehicles provide to passengers on the rear seats. This rating is an assessment of how compatible the car is with the child seats recommended by the manufacturer, as well as the protection provided in the crash.

In several cases it was observed that the child seats recommended by manufacturers were found to be incompatible with their vehicle's belt system. For example, in the Tata Nano, there was no three-point seatbelt on the rear seats and no way to install a child seat or transport a small child safely.

"Vehicle manufacturers understand how important it is for young children to travel buckled up in a child seat that's installed securely on the rear seat," said David Ward, Secretary-General of Global NCAP. "They know what they need to do to make it as easy as possible for parents: it's just a question of priorities. Indian families buying these cars expect their children to be given the same protection as children in other parts of the world." (http://www.globalncap.org/category/news/)

Jayawant is now wondering whether he should buy the car of his choice and put the family under risk whenever the family members are al traveling together or wait till all the safety features are made mandatory by the Government and the car makers obligingly provide all of them more from a responsibility point of view and not from raising additional profits. He again looks at the data (team-bhp, 2014) that shows the market share of all the car makers in India. The cars of those companies which have been tested for safety are found to be inadequate and are virtually a threat while driving, but continue to have increasing sales. Do they confirm that Indian car buyers are not serious about safety? Are the buyers not aware or simply not interested?

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