Analysis of Kia Motors’ Booming Market Penetration amidst Downturn of India’s Automobile Industry

1Kritika Anuragi, 2Akshay Raj, 3Smriti Bajpai
1B.E. Student, 2B. E. Student, 3Guest Faculty
1Department of Instrumentation and Control
1Netaji Subhas University of Technology (formerly Netaji Subhas Institute of Technology), New Delhi, India

Abstract: The Indian automobile industry is among the largest industries in the country and ranks fifth on a global scale. The industry has been undergoing a speedy transformation with new changes surfacing every day. In this perennially evolving industry, every company strives to offer products that appeal to a broad spectrum of customers. In view of this, the target segment of each brand often overlaps with its competitors. Consequently, companies often lose fractions of their market share to more competent companies with ever-changing customer inclination. From the onset of 2019, the industry dynamics were influenced by a series of external factors such as policy changes, increased taxes, higher interest rates, fuel price hikes and legal rulings that impacted the customers buying behaviours and delayed their purchase decisions. As a result, a reduced number of people are investing in automobiles pushing the industry towards a slowdown. In the thick of this downturn, Kia Motors ventured into the industry with Kia Seltos. It managed to have explosive sales with the launch and was able to sustain these numbers. In November, Kia recorded 14,005 deliveries, which is even higher than the sales figures of its rival product Hyundai Creta which recorded 10487 deliveries in January and the numbers have been declining ever since hitting a lowest of 635 deliveries. Other leading brands in the mix exhibited similar trends as Hyundai. This research investigates and analyses the factors that were catalytic to Kia’s successful entry and Kia’s rise to being one of the top five carmakers of India dominating the Mid-SUV segment. The objective of the study is to highlight the major elements that drive customer’s buying behaviour and to use them as a base to compare Kia’s products and services with that of its competitors. A thorough understanding of the factors that made the difference for Kia will help companies to improve their strategies, products and services.

Index Terms - Automobile industry, slowdown, downturn, mid-SUV, Kia Motors, Kia Seltos.

I. INTRODUCTION

The automotive industry is one of the fastest growing industries and has often been a pivotal point for growth and development at a global scale. The automobile sector has been a primary contributor to the Indian and global economy. Historically, an automobile was viewed as a luxury item. However, this machine was quick to establish itself as a necessity in the present day. The present day ‘car’ was not developed in a day by a single maker, but is an outcome of consecutive efforts throughout the world. The post-liberalization era paved the way for new models that were produced and marketed by foreign and domestic manufacturers. Variety and innovation enabled the consumers to choose from a wider market according to their preferences and needs. First-time car buyers are crucial to the companies as the consumers’ initial experiences have the potential to cement their loyalties and may eventually result in repeat purchases. The Indian automobile market ranks fifth globally [1] and has consistently churned out innovative models every year, catering to every diverse customer segment in the country.

The preceding year witnessed the automobile industry of India being firmly gripped in an unprecedented slowdown. Dwinding sales and stocked-up inventory made 2019 one of the worst years for the automobile industry. This ongoing crisis is ascribable to a concoction of various dissuading factors. India’s gross domestic product (GDP) growth rate dropped down to 4.5% in July-September quarter of 2019 [2]. This severe slowdown clubbed with a liquidity crunch and recent changes in the government policies triggered an aggravated slowdown in the automobile industry.

In October 2018, it was mandated by the Hon'ble Supreme Court that only BS-VI vehicles will be sold after April 2020 in an attempt to proceed towards cleaner fuel [3]. In addition to that, the government’s push for e-vehicles has also delayed the purchase plans for potential buyers. Furthermore, the purchase costs and expenditure is also increasing. Presently, the most pertinent goods and services tax (GST) rate on cars is 28% applicable on motor vehicles for personal consumption and commercial usage [4]. Surge in insurance costs of vehicles, increase in third party insurance and rise in road tax have also magnified the expenditure [5]. Non-Banking Financial Companies (NBFC) started implementing stricter rules for loans owing to the December 2018 crisis [6]. Banks are also enforcing rigorous lending norms. The inadequate loan options, rising interest rates, uncertainty preceding the BS-VI and e-vehicle transition and the prospects of possible GST reduction prolonged the downturn of 2019.

Changing trends in the automobile industry and evolving customer preferences have also contributed to the downturn in the industry. Despite this downturn, the second-hand car market has exhibited double-digit growth. The startups focused on the second-hand car market have attracted the middle-class consumer base. Addedly, the inclusion of cab aggregator services such as Uber and Ola in the market equation have further contributed to this prolonged slowdown.

The data presented in Table 1 [7] elaborates the downturn witnessed in 2019 by top 15 players of the Indian automobile industry. All major market players exhibited negative growth in their sales owing to the aforementioned factors that prolonged the slowdown of 2019. The negative growth trend was uniformly observed in the sales of all these companies. Several new brands attempted to enter the Indian automobile market.
Most notably, the success story of Kia Motors was unparalleled as it entered one of the more daunting automobile markets of the globe in the middle of a nationwide downturn in the industry. While the other brands that entered the Indian market had to undergo a protracted process to capture a small chunk of the market share, Kia captured a significant chunk of the market share in a very short time and emerged as the third largest car seller in India as of February 2020. This research paper aims to underline and analyse the factors that contributed to Kia’s success as other established brands continue to struggle to maintain their numbers.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Model</th>
<th>Mar'20</th>
<th>Mar'19</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kia</td>
<td>Seltos</td>
<td>7466</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Hyundai</td>
<td>Creta</td>
<td>6706</td>
<td>11448</td>
<td>-41</td>
</tr>
<tr>
<td>3</td>
<td>MG</td>
<td>Hector</td>
<td>1402</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Tata</td>
<td>Harrier</td>
<td>632</td>
<td>2492</td>
<td>-75</td>
</tr>
<tr>
<td>5</td>
<td>Nissan</td>
<td>Kicks</td>
<td>519</td>
<td>701</td>
<td>-26</td>
</tr>
<tr>
<td>6</td>
<td>Jeep</td>
<td>Compass</td>
<td>163</td>
<td>1441</td>
<td>-89</td>
</tr>
<tr>
<td>7</td>
<td>Renault</td>
<td>Duster</td>
<td>150</td>
<td>877</td>
<td>-83</td>
</tr>
<tr>
<td>8</td>
<td>MG</td>
<td>ZS EV</td>
<td>116</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Mahindra</td>
<td>Scorpio</td>
<td>40</td>
<td>5433</td>
<td>-99</td>
</tr>
<tr>
<td>10</td>
<td>Hyundai</td>
<td>Kona</td>
<td>14</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>Mahindra</td>
<td>XYY 500</td>
<td>9</td>
<td>1916</td>
<td>-100</td>
</tr>
<tr>
<td>12</td>
<td>Maruti</td>
<td>S-Cross</td>
<td>0</td>
<td>2424</td>
<td>-100</td>
</tr>
<tr>
<td>13</td>
<td>Renault</td>
<td>Captur</td>
<td>0</td>
<td>343</td>
<td>-100</td>
</tr>
<tr>
<td>14</td>
<td>Nissan</td>
<td>Terrano</td>
<td>0</td>
<td>27</td>
<td>-100</td>
</tr>
<tr>
<td>15</td>
<td>Tata</td>
<td>Safari</td>
<td>0</td>
<td>445</td>
<td>-100</td>
</tr>
<tr>
<td></td>
<td>Overall:</td>
<td></td>
<td>17217</td>
<td>27547</td>
<td>-37</td>
</tr>
</tbody>
</table>

## II. LITERATURE REVIEW

Many researchers and scholars have presented noteworthy views on the growth of the automobile industry and continuously evolving customer preferences. J. Wetzel and G. Hoffer (1982) developed a disaggregated model to estimate the consumer demand in the automobile market of the United States [8]. The results indicated that the demand for small cars is susceptible to market size. Demand for small cars will continue to rise with favourable demographic changes. Therefore, it can be concluded that the car dealers need to implement different strategies to gain a competitive edge and fit into the small but growing market size.

N. Sharma and P. Patterson (1999) stated that car dealers were implementing new market positioning strategies by constantly improving quality maintenance through service delivery packages in an attempt to appeal to informed and aware consumers [9]. With numerous brands offering products that were at par with each other, the companies were required to shine in areas such as after sales services. This narration is further emphasised by A. Sagar and P. Chandra (2004), who underlined the need for companies to invest in service and maintenance offerings to realign their products with the evolving technology standards in India [10]. Timely servicing and repair by authorised staff has become the new norm. More and more companies are in the process of establishing R&D centres in the country.

The factors considered by the customer in the process of purchasing a car are not just important but critical. This calls for comprehensive analysis in order to fully understand the customers’ preferences and choices. R. White (2004) elaborated on the factors that affect a car buyer’s choices [11]. He commented that people often haggle with dealers over price, substantial rebates and suitable payment plans. With a hike in the number of multi-car households, car dealers and advertisers should target the right audience, taking into account women’s influence and the pester power of children. M. Kaur and H. Sandhu (2004) identified nine factors that influence the buying behaviour in the passenger car market [12]. They found consumers regard safety, comfort and luxury as crucial factors while buying a car.

With a sound understanding of the factors affecting the customer’s buying decision, one cannot miss the fact that having the knowledge of the trends in the automobile industry plays a vital role in future strategies and further developments by the brand. S. Kotwal (2009) pointed out that the increasing amount of disposable income and technological advancements have triggered the onset of maturity in taste as reflected by the expansion of Indian Hatchback market [13]. Buyers are seeking the space, comfort and luxury of a mid size saloon or sedan. This research is indicative of the fact that cars were no longer a luxury but a necessity. Customers were now seeking the facilities of luxurious cars in mid-range models. S. Modi and T. Jhulka (2012) emphasised on the evolving purpose behind a consumer’s car purchase establishing the activity as a function of their behaviour [14]. They defined family need as a principle factor driving the purchase and status symbol to be of little significance in the present day.

With the large market size and number of competitors in the market, brand value also had a key role to play. B. Gupta and N. Agarwal (2013) studied the influence of brand perception on customers and suggested that customers can be attracted through strong advertising, loyalty programs, information exchange programs, and easy payment plans [15]. In addition to performance, companies should focus on style and design of the cars. A. Rastogi and N. Gupta (2013) concluded that the automobile demand is dependent on various factors such as market demographics and cost of finance. The slowdown of the industry presents an opportunity to produce sophisticated and innovative vehicles backed by intense research that will motivate buyers to invest in automobiles [16].
With the ever-increasing knowledge of vehicle technicalities, the customers have started focusing on other parameters as well to differentiate between the various product offerings. S. Gupta (2013) pinpointed that preferred features differ from customer to customer and the reference group plays an active part in buying decisions [17]. Engine, fuel efficiency and price were highlighted as major decisive factors. V. Shende (2014) stressed that company strategies need to be aligned with consumer behaviour for competitive advantage [18]. Different car segments are affected by different classes of consumer behaviour. Mid size segment customers focus on safety, comfort, features, value for money and brand. M. Javed et al. (2015) highlighted the benefits of customer satisfaction [19]. They focused on five service quality dimensions including tangibles, reliability, responsiveness, assurance and empathy.

J. Charles et al. (2016) focused on consumer expectations in C-segment cars and identified various drivers of purchase decisions such as exterior, performance, safety and after sales services [20]. A. Kumar and B. Singh (2016) argued that the client satisfaction and high quality service are extremely relevant if companies are looking to add new clients [21]. Customer satisfaction is a cardinal part of the automobile service sector. D. Mathur et al. (2018) studied the consumer buying behaviour of cars in India [22]. The survey results indicated that SUV was the second most preferred car after sedan and highlighted the significance of brand image as a driver of buying decision.

The literature review illustrated that the factors affecting the customer’s buying decision have varied over time. This study attempted to find the key factors affecting the purchase decision in the present day Indian automobile market. Further, Kia Motors’ strategies to accommodate these key factors in order to dominate the automobile market upon entry even amidst the ongoing slowdown in the Indian automobile industry were studied.

## III. RESEARCH HYPOTHESIS

Kia Motors managed to enter when the Indian automobile market was facing negative growth and was able to dominate the Mid-SUV segment attracting massive sales. Figure 1 depicts a comparison of sales figures of Kia’s debut product Seltos with its competitors’ models in the same segment for the year of 2019 [23]. The dip in December sales for Kia Seltos is a result of reduced production at year end in an attempt to clear the residual inventory of the year.

The hypothesis of this study is that Kia managed to have an explosive and consistent sales growth upon its entry due to the following reasons:

\( H_1 \): Kia Motors entered the Indian market with profound market research and precise planning, which enabled them to fittingly identify the needs of the Indian consumer.

\( H_2 \): Kia Seltos was equipped with the latest available car technology in comparison to its competitors.

\( H_3 \): The company had a perfect introductory price for Kia Seltos, acting as a catalyst for many middle class SUV intenders, giving them the maximum bang for their buck.

![Fig. 1. Monthly sales trend of Kia Seltos and its competitors for 2019](image)

## IV. METHODOLOGY

In this study, the proposed hypothesis has been evaluated by analysing the market penetration and strategies of Kia Motors with respect to its key competitors. The data for this research was collected by surveying the showroom managers of Kia and its primary competitors producing cars in the Mid-SUV segment which include MG, Maruti Suzuki, Tata, Hyundai and Renault.

The survey covered many dimensions that affect their sales and focused mainly on consumer’s behaviour and preferences, on-showroom experience and company’s after-sales services, conversion rates, marketing strategies, digital presence and digital marketing practices, causes and effects of the downturn as well as company’s tactics to deal with the same. The aforementioned findings resulted when responses by the competitors were compared with those by Kia.

## V. RESEARCH FINDINGS

It is the purpose of this paper to pinpoint the key elements behind Kia’s successful and sustained entry in the market mix. From the survey conducted, we concluded that for any given car purchase, there are certain major driving factors and considerations that persuade the customer’s buying decision. These factors, namely engine, price positioning, fuel efficiency and service network, are extensively discussed below.
Engine

In October 2018, the Supreme Court of India passed a verdict instructing the car manufacturing companies to switch to engines compatible with BS-VI norms by April 2020. This impending transition prompted the customers to delay their purchase decision. While the bigger market players were seeking to sell-off their residual stocks of BS-IV vehicles before the stated deadline, Kia entered the market with an edge over its competitors by launching Kia Seltos armed with BS-VI engines. Customers preferred investing in BS-VI engine cars and thus, the audience shifted from other popular brands and swiftly embraced Seltos.

Figure 2 outlines the petrol-diesel sales split of the major market players [24]. It was observed that Kia maintained roughly equal sales in petrol car and diesel car segments as Kia was the first in the industry to launch a BS- VI engine in the diesel variant as well. As a consequence, Kia succeeded to attract and redirect the customer base of diesel car buyers from other brands towards itself.

![Figure 2. Petrol versus diesel sales split (%) of companies in 2019](image)

Price Positioning

In addition to the regular features offered by most other models of the Mid-SUV segment, Kia has introduced a multitude of industry-first AI based features such as app-based vehicle assistance/guidance system in its maiden offering, the Kia Seltos. Therefore, Kia hit the bullseye in providing value for money by luring customers with its product priced lowest at ₹9.89 lac.

From the moment of its launch in India, Kia has provided the consumers with a wide price range catering to a very large slice of the market. The brand has brought forth many sophisticated variants priced as low as ₹9.89 lac moving up to ₹16.34 lac. Table 2 [25] illustrates the range of prices offered by Kia and its rival brands. In contrast to Kia, most other brands have tagged their products at prices that fall into only a fraction of the range offered by Kia. Therefore, these companies were unable to fully exploit the entire range and ended up catering to a smaller segment either towards the lower or higher price ends.

<table>
<thead>
<tr>
<th>Company</th>
<th>Model</th>
<th>Price Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kia</td>
<td>Seltos</td>
<td>₹9.89 - 17.34 lac</td>
</tr>
<tr>
<td>MG</td>
<td>Hector</td>
<td>₹12.83 - 17.88 lac</td>
</tr>
<tr>
<td>Maruti Suzuki</td>
<td>XL6</td>
<td>₹9.84 - 11.51 lac</td>
</tr>
<tr>
<td>Tata</td>
<td>Harrier</td>
<td>₹13.69 - 20.25 lac</td>
</tr>
<tr>
<td>Hyundai</td>
<td>Creta</td>
<td>₹9.99 - 17.2 lac</td>
</tr>
<tr>
<td>Renault</td>
<td>Captur</td>
<td>₹9.49 - 14.05 lac</td>
</tr>
</tbody>
</table>

Fuel Efficiency

Automotive Research Association of India (ARAI) is the leading automotive R&D establishment of the country set up by the Government of India. ARAI has played a critical role in assuring reliable, safe, efficient and sustainable vehicles through extensive testing and certification. Table 3 [25] shows the ARAI certified mileage ranges of the championed Mid-SUV models by the carmakers included in this study.

Not only has Kia launched models compatible with BS-VI fuel, the mileage offered by Kia Seltos is at par with its competitors. As reflected in Table 3, it is difficult to determine the best performer in the Mid-SUV segment in terms of fuel efficiency. Nonetheless, Kia’s performance can be readily placed on an equal footing in fuel performance.

<table>
<thead>
<tr>
<th>Company</th>
<th>Model</th>
<th>Mileage up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kia</td>
<td>Seltos</td>
<td>20.8 kmpl</td>
</tr>
<tr>
<td>MG</td>
<td>Hector</td>
<td>17.41 kmpl</td>
</tr>
<tr>
<td>Maruti Suzuki</td>
<td>XL6</td>
<td>19.01 kmpl</td>
</tr>
<tr>
<td>Tata</td>
<td>Harrier</td>
<td>17.0 kmpl</td>
</tr>
<tr>
<td>Hyundai</td>
<td>Creta</td>
<td>21.4 kmpl</td>
</tr>
<tr>
<td>Renault</td>
<td>Captur</td>
<td>20.37 kmpl</td>
</tr>
</tbody>
</table>
Service Network

Since Kia commenced its sales with a countrywide launch targeting ~160 cities of India as opposed to focusing on a few select cities, Kia ensured nationwide distribution and after-sales services to its customers. Kia ensured a service network which is neck to neck with its other competing brands by providing services like nationwide on-road assistance and free servicing in regular intervals for up to two years after purchase.

Kia is better equipped with a competent online sales channel that has the capacity to push online sales as we stand at the juncture of the digital marketing era and can also tackle extraordinary situations like Covid-19 lockdown. Kia has a fully functional virtual reality (VR) showroom in place that can satisfy all showroom needs and facilitate online booking, unlike its competitors who are still in the development stages of similar platforms. Kia also launched a brand experience centre, Beat360 in Gurugram, which employs digital technologies like augmented reality (AR) and VR to resonate its vision among the masses.

VI. CONCLUSION

The agenda of this study was to understand Kia’s approach that allowed it to outshine its competitors being a new entrant in a market that is in the grasps of a prolonged slowdown. The research highlights the factors that control the customer’s buying decision. The responses by the managers of brands surveyed were compared to identify the distinguished practices by Kia that gave it the edge. This research will help the brands to negotiate the downturn by focusing on the crucial aspects affecting the buying decision.

1. The first hypothesis that Kia came into the Indian market armed with in-depth research is true, as it served the customers with the latest engine, exterior and interior features. It launched a BS-VI engine in its diesel variant as well which proved to be a smart move to redirect the diesel-car customers.

2. The second hypothesis that Kia Seltos has the latest available car technology, is partly correct. To elaborate, Kia Seltos comes with industry first AI based features. However, the fuel efficiency technology employed is at par with its competitors’.

3. The third hypothesis that Kia had a perfect and reasonable introductory price is true, as even though the company offered most of the features available in models of other brands along with the new AI based technologies, the price positioning suitably fell under the preexisting price brackets.

Today, the customers desire the best features at the best price due to availability of many options. Hence, the brands need to offer latest products and services at a suitable price. As per market’s current demands, extensive market research and timely advancements in technology accelerates customer acquisition. To maximise the sales and serve a larger market segment, the brands should also explore online distribution channel which is currently on the rise.

VII. LIMITATIONS AND FUTURE SCOPE

The comparisons presented in this study between Kia Motors and other rival brands to establish a basis for the rise in Kia’s sales amidst industry-wide downturn is limited by the knowledge of the participants of the survey (i.e. managers of the showrooms located in Delhi-NCR region) about their company’s vision & practices, understanding of the market and customers buying behaviour. The observations presented in this study were primarily based on the buying behaviour of customers in Delhi-NCR region. More comprehensive results can be obtained by broadening the scope of the survey with a larger sample size.

Further investigations can be carried out to analyse the efficiency, impact and outreach of offline versus online campaigns with respect to company’s sales figures. Customer level research can also be carried out to understand the present day needs of the customer that overshadows their buying decisions. The same will be valuable for achieving a better understanding of the customer demands thereby maximising sales revenue.

REFERENCES


