

Shifting gears

Understanding passenger vehicle market trends



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Foreword

The festive season is a critical period for the Indian automotive industry. Traditionally, it drives a significant portion of annual sales as consumers time their vehicle purchases with celebrations and auspicious dates.

With inventory reaching record levels, customers are expecting significant discounts this festive season, adding pressure on manufacturers to clear stock.

Additionally, growing interest in premium models and hybrid vehicles, suggests a shift in consumer preferences, further shaping the outlook for the festive season.

Grant Thornton Bharat conducted a survey to determine the factors which drive sales of passenger vehicle (PV) and vehicle preferences amongst consumers this festive season. This report analyses the survey results and is aimed at highlighting consumer sentiments, attributes that impact customer's buying behaviour and customer readiness to switch over the new dynamics the industry has to offer.



Saket Mehra

Partner and Auto & EV
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About the survey

Grant Thornton Bharat conducted a survey to understand consumer behaviour, vehicle preferences, impact of discounts and the factors driving sales this festive season.

More than **3,500 respondents**, across age groups and occupations, participated in the survey released across digital channels.

Executive summary

India's passenger vehicle market witnessed muted growth in H1 FY25, with UVs and SUVs making up 65% of sales. Hybrid vehicles are gaining traction, premiumisation is rising, with 85% of consumers open to high-end models. Digital platforms are gaining prominence, though purchases remain mostly offline, pushing automakers to adopt 'phygital' strategies to meet evolving consumer needs.

The Indian PV market, after a strong recovery in FY24, has witnessed slow growth in the first half of FY25. Domestic sales increased by only 0.5%, significantly below the 3–4% forecast, with automakers dispatching 2.08 million units between April and September. This stagnation may be attributed to key disruptions in May, June, and September caused by elections, heatwaves, and heavy rainfall. Despite this overall flat performance, the utility vehicle (UV) and sports utility vehicle (SUV) segment continued to thrive, growing at 13% year-on-year and now accounting for 65% of domestic PV sales, reflecting the sustained preference for these vehicles.

Market leaders such as Maruti Suzuki, Hyundai, Tata Motors, and Mahindra & Mahindra continue to dominate, but challenges such as high inventory levels are a growing concern. As of September 2024, inventory had reached an unprecedented level of 7.9 lakh vehicles, valued at INR 79,000 crore. Early October sales have shown some recovery, with a 30–35% increase in registrations compared to September, but demand generally remains muted.

Electric vehicles (EVs) are facing challenges due to concerns about charging infrastructure and a rising preference for hybrid vehicles. Tax exemptions for strong and plug-in hybrids in certain states have further encouraged this shift. While India's EV market is expected to grow, adoption is likely to trail behind other major economies.

On the consumer side, there is a growing trend towards premiumisation, with 85% of respondents open to exploring high-end models. Economic growth, stable monetary policy, and increasing disposable income have raised purchasing power, especially among India's top earners. Currently, only 30 million Indians can afford a vehicle, indicating significant potential for growth as income levels rise.

Digital platforms have become increasingly important in the car-buying process, with 74% of consumers now using social media and car websites to research and evaluate vehicles, up from 56% two years ago. However, while these platforms play a key role in influencing decisions, actual purchases are still predominantly made through physical channels. Automakers have responded by blending physical and digital experiences ("phygital"), offering online platforms that allow customers to explore and even purchase vehicles from the comfort of their homes.

Subscription models, introduced by leading automakers like Maruti Suzuki, Tata Motors, and Mahindra & Mahindra, have gained traction among young consumers looking for asset-light ownership options, but this remains a niche market.

In conclusion, while the Indian passenger vehicle market faces challenges in sales growth and inventory management, there are clear trends towards premiumisation, digital engagement, and hybrid vehicle adoption. As disposable incomes rise and digitalisation continues to reshape the purchasing process, the market is expected to see steady growth in the coming years.

Key highlights from the survey



Over **40%** of new vehicle purchases are driven by upgrades, highlighting the impact of rising disposable incomes.



Digital media's role in the customer journey has surged, from **56% to 74%** in last two years. OEMs must prioritise this channel to stay competitive.



Vehicle safety has become the top purchase factor with rising consumer awareness on this topic, overtaking vehicle features in the past two years.



Sustained preference for UVs and SUVs, with a **100%** growth in customer preference for this category.



Preference for **petrol and hybrid** has outpaced EVs in the last two years.



Over **85%** of the respondents are open to the idea of exploring a high-end premium model, indicating a shift towards premiumisation.

“

The festive season is a crucial moment for the auto industry, making up for 30-40% of annual sales. Although the growth rate for this festive season may be muted by the high base from previous year, the industry remains optimistic that absolute sales volumes are likely to expand. Shifting market dynamics, such as rising consumer interest in premium models, expectations for heavy discounts, and the increasing role of digital platforms, present automakers with a unique opportunity to adapt and drive sales during this pivotal period.

Saket Mehra

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Passenger Vehicle Sales

Analysis



In FY24, the Indian PV market experienced a robust post-pandemic recovery. However, growth in the first half of FY25 has been notably slower, with domestic sales rising by just 0.5%, falling short of the 3-4% industry forecast. Between April and September, automakers dispatched 2.08 million units, reflecting this stagnation. The sluggish growth is primarily attributed to challenges in key months — particularly May, June, and September — caused by disruptions such as regional elections, extreme weather conditions including heatwaves, and heavy rainfall in certain regions.

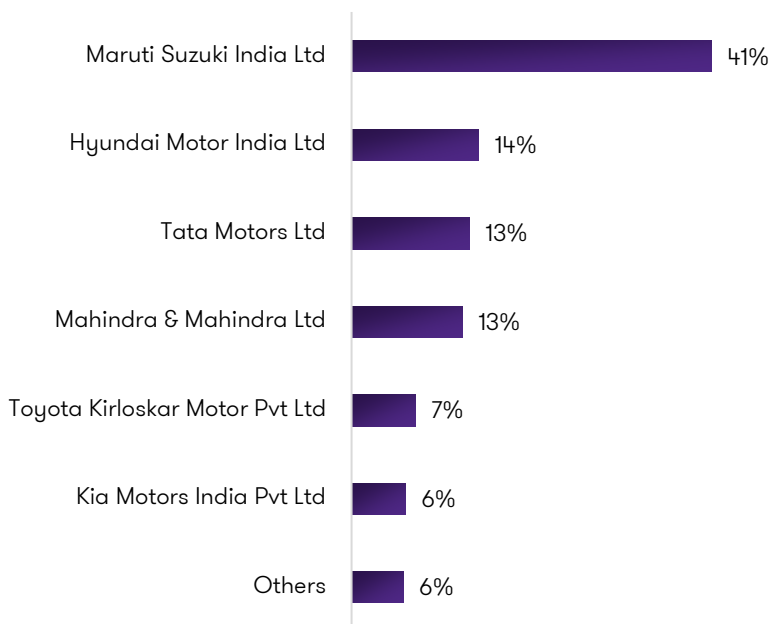


Despite the overall flat growth in the PV market, the UV and SUV segment continues to perform strongly, posting a 13% year-on-year increase in domestic sales during H1 FY25. This category now accounts for 65% of total domestic PV sales, reinforcing the sustained preference for UVs and SUVs that has been evident over the past few years.



Domestic sales market share for PVs is led by Maruti Suzuki (at 41%), followed by Hyundai, Tata Motors and Mahindra & Mahindra.

The market share breakup is shown below:



Piled up inventory amidst muted sales

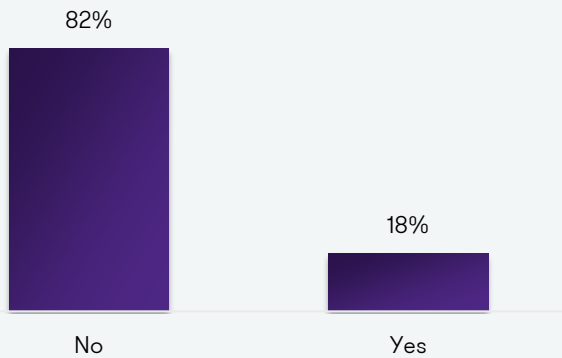
Slump in PV sales have resulted in an unprecedented amount of inventory, equivalent to 7.9 lakh vehicles worth INR 79,000 Cr. The stockpile has increased from 65-67 days in early July to 80-85 days as of September 2024.

Consumer buying trends

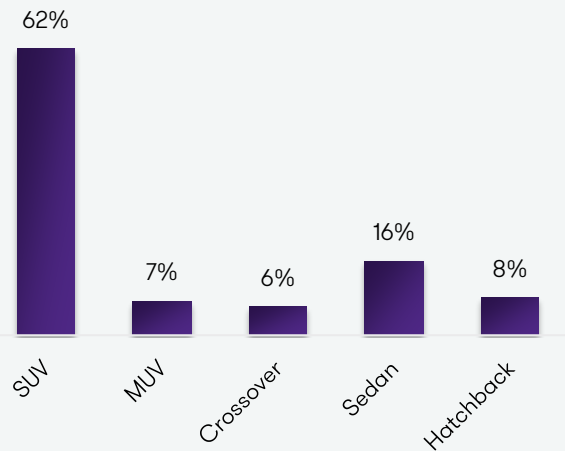
The industry is expected to rebound in the second half of FY25 — driven by intrinsic demand, alongside OEMs' efforts to further enhance demand.



Have you booked a passenger vehicle in the last 5-6 months?



Choose your preferred vehicle category?



18%

respondents have booked a PV in the last six months, highlighting muted industry demand. Sales in early October, however, are showing promising signs with a 30-35% increase in vehicle registrations as compared to September.



13%

Y-o-Y growth in UV and SUV segment during H1 FY25



100%

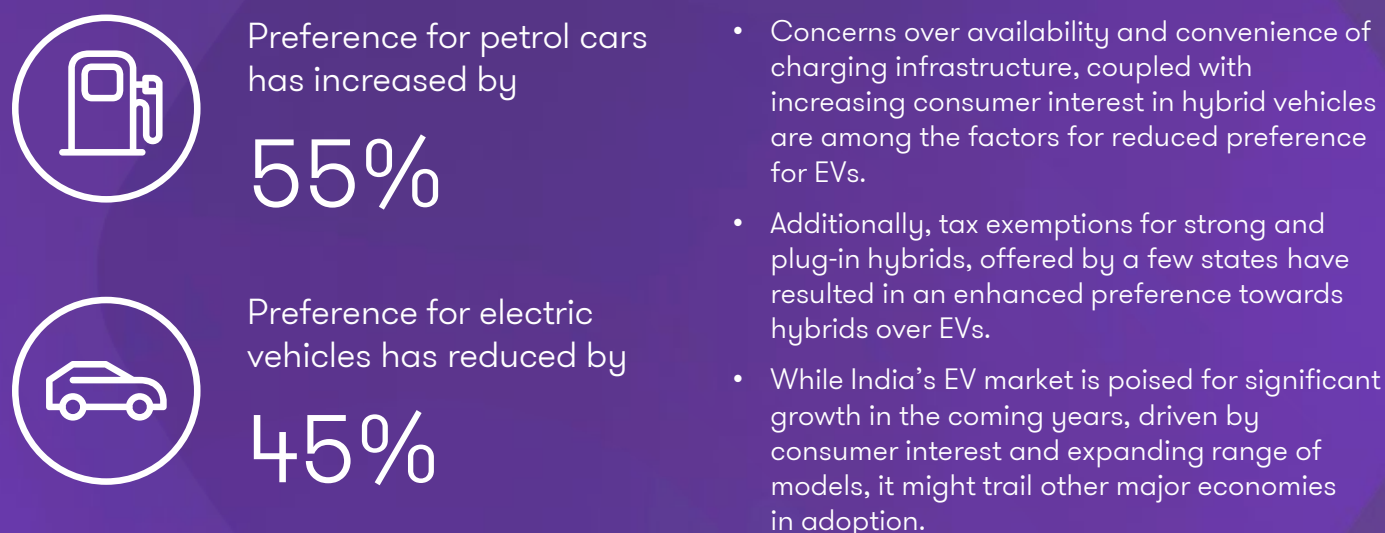
increased preference for SUVs over the last two years

Consumer buying trends in the last two years

What kind of vehicle would you prefer to buy?



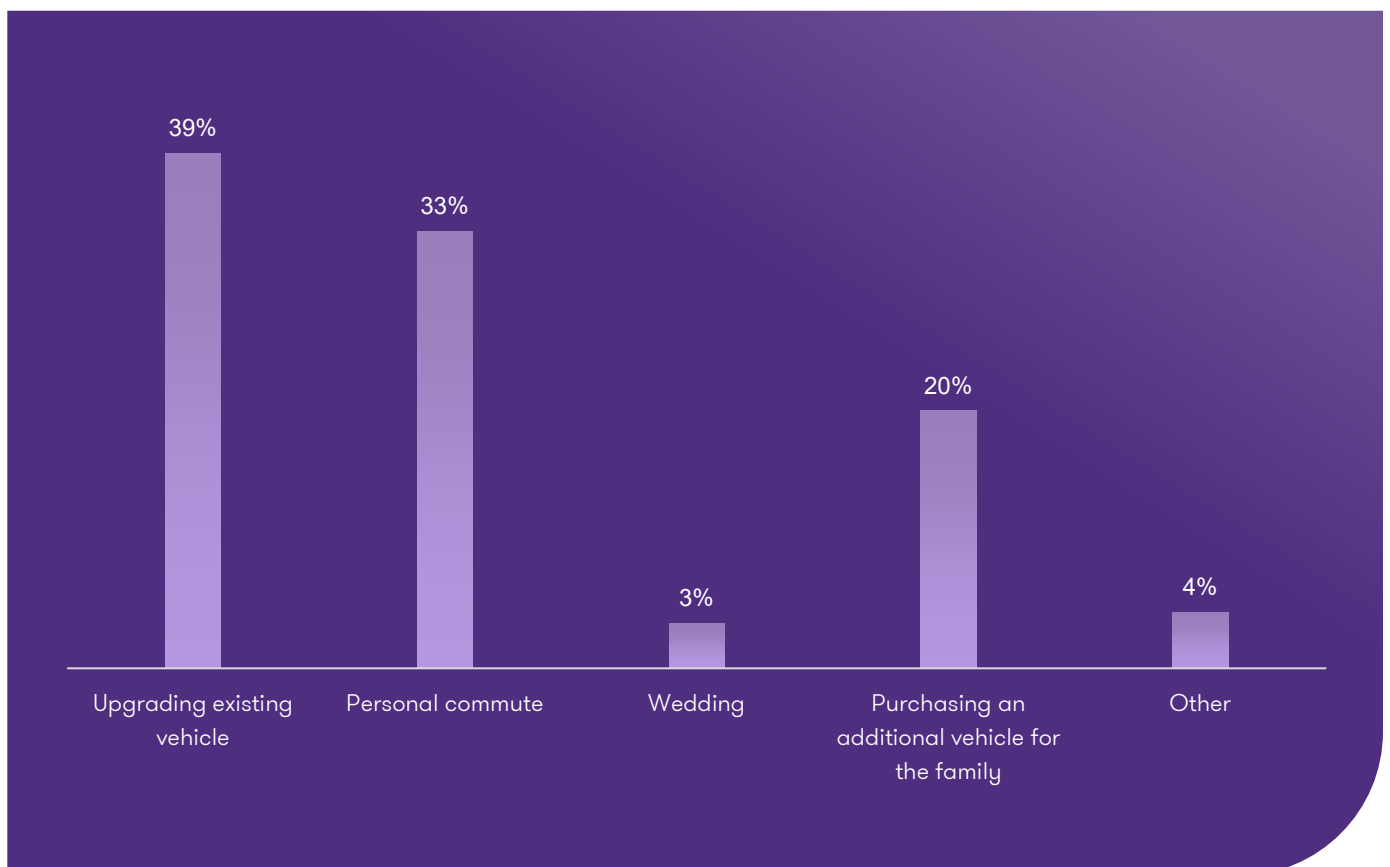
Change in preferences over the last two years:



Preference for hybrid and diesel vehicles has remained constant

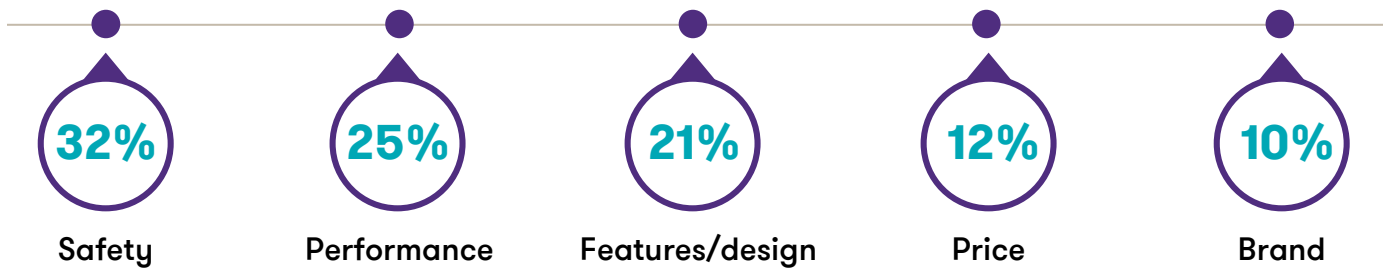
What is the reason for buying new vehicle?

- As India faces consumer boom, companies selling premium goods are expected to outperform other developing competitors. The country's affluent class is expected to nearly double to 100 million in the next three years.
- Strong economic growth, stable monetary policy and high credit growth have contributed towards increasing the purchasing power of top-earning Indians over the past decade.
- Currently, only 30 million Indians can afford a vehicle, indicating high under-penetration levels. As disposable income increases further, PV sales are expected to grow in the coming years.



What is the first thing that you look for in a car?

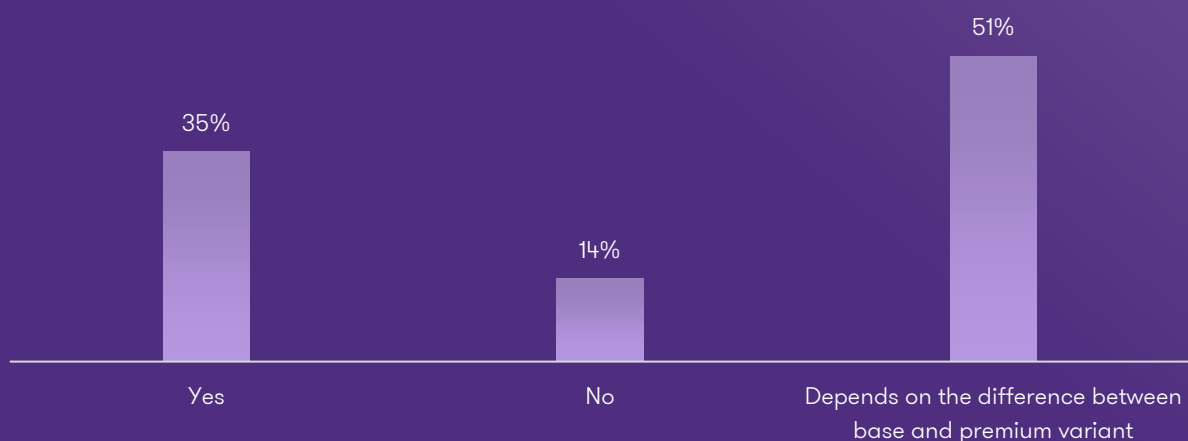
In India, growing consumer awareness about safety has led to a rising demand for vehicles with advanced safety features. In response, automakers are focusing on incorporating the latest safety technologies into their vehicles. These features are not only designed to reduce the impact of accidents but also to help prevent them altogether.



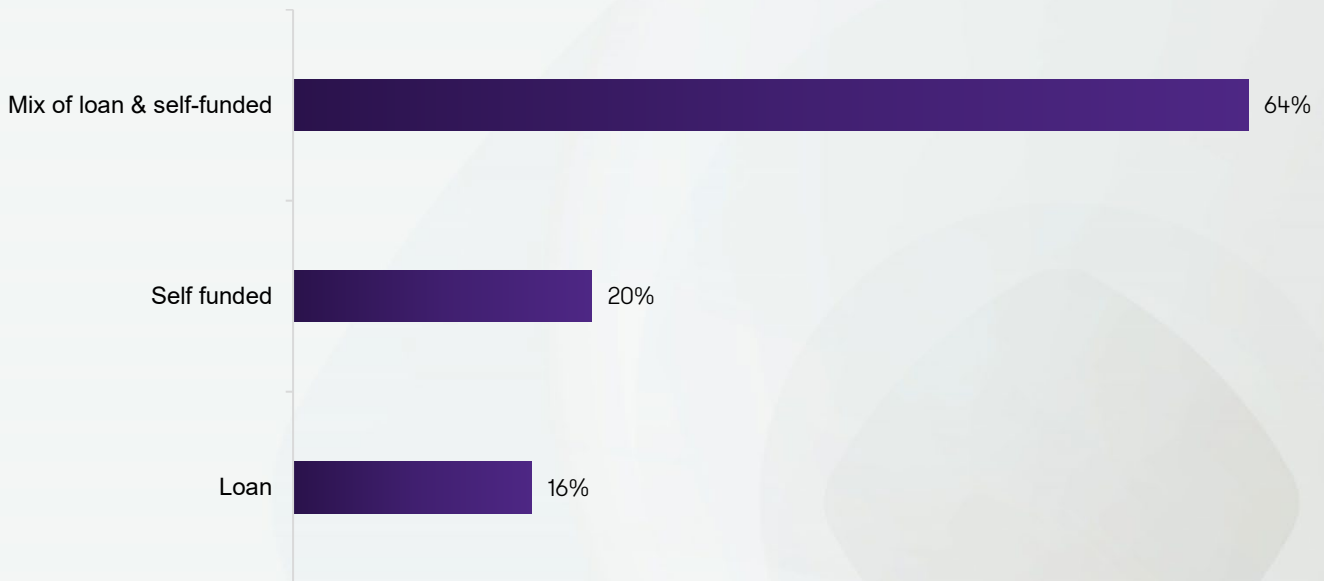
Would you be willing to pay for a high-end model which offers premium features?

Over **85%** of the respondents are open to the idea of exploring a high-end premium model, indicating a shift towards premiumisation. From raising quality standards and enhancing the driving experience, premium vehicles are reshaping consumer preferences and expectations. The breakup of how much more consumers are willing to pay for the premium model (over the base model) has been highlighted in the adjacent table:

10-15% higher	65%
15-25% higher	30%
25-30% higher	5%



How do you plan to finance your new vehicle?



With the Reserve Bank of India (RBI) pausing the repo rate hike at **6.5%**, for the ninth consecutive time, car loans are available between 8.5–14.10%, at easy terms with easy processing. This has significantly enabled purchase and upgrade of new vehicles.

9 out of 10

consumers are expecting discounts this festive season

With piled-up inventory in the market, consumers are expecting heavy discounts to stimulate vehicle demand.



Do you prefer to check multiple dealerships and look for better discounts before buying?



16%

No, Satisfied with the choice



84%

Yes, Would like to compare different offers

As different vehicle dealerships offer heterogeneous deals, customers prefer to evaluate offers offered by multiple dealerships before buying a vehicle.

How do you get to know about the new models introduced to market?

15%

Print or digital ads

58%

Social media, email/message promotion, news

16%

Car apps/website

11%

Word of mouth

How do you prefer to buy your new vehicle?



8% Online platform

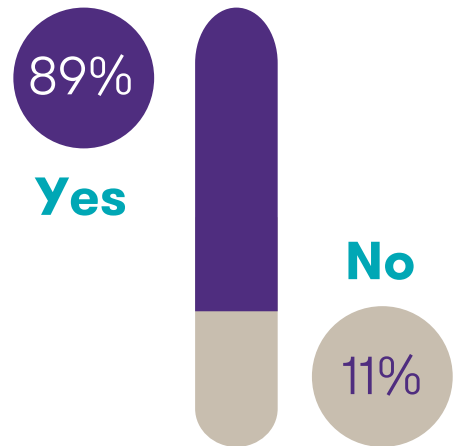
92% Car dealerships

- Over the last two years, the preference for digital media (social media and car websites) has increased from 56% to 74%, reflecting a shift in consumer trend. Social and digital platforms play a massive role in establishing the first touch point in the vehicle purchase lifecycle.
- A growing digital presence of consumers, fueled by evolving technology, has become a key trend expected to influence vehicle purchases.
- Digital revolution is disrupting auto retailing, making players gradually shift towards online channel to capitalise on the digital wave to drive growth.

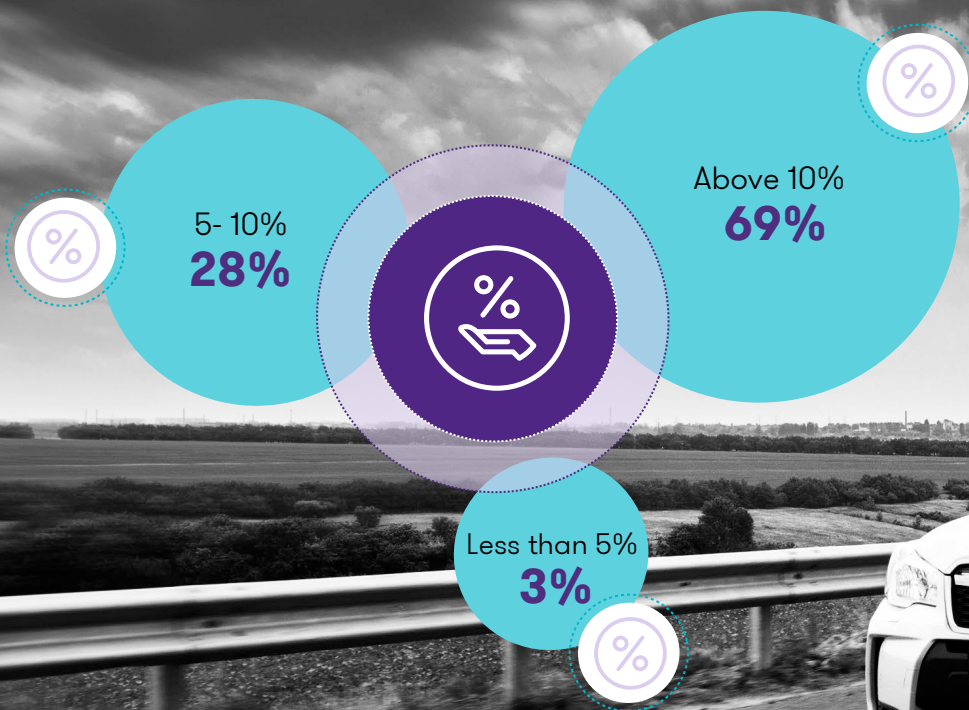
Consumer expectations

Are you expecting discounts on cars this festive season?

- To attract buyers during the festive season, the industry is leveraging a combination of discounts, exchange offers, and attractive financing options.
- Major automakers such as Maruti Suzuki, Hyundai, and Tata are offering significant price reductions across various models, including up to INR 3 lakh on electric vehicles.
- Luxury brands such as Audi, BMW, and Mercedes-Benz are also optimistic about strong demand this festive season.



What level of discount on vehicles are you expecting this festive season?



Would you like to buy a car by checking features and through an online 3D experience?

5%

Yes, can buy a car after checking it virtually

47%

Both, will check online and then visit dealerships

48%

No, will go to the nearest dealer and test drive before buying

Digitisation: The way forward?

- Even though digitisation sways sales by generating consumer awareness on introduction of new models and aids consumers in evaluating their options in a 3-D environment, **buying a car online is still not a preferred mode in India.**
- By leveraging the latest technology and data solutions with digital interventions, automobile manufacturers aim to improve the customer experience with the shift from physical to phygital (a combination of both the mediums).
- Over the past few years, multiple passenger car brands have introduced online sales platforms, which offer customers the chance to purchase their preferred vehicles from the comfort of their homes. OEMs, such as Maruti Suzuki, Hyundai, Honda, Kia, Toyota, Tata Motors, Mahindra & Mahindra and Mercedes-Benz have taken to digitalisation.

Would you consider alternate sources of ownership, such as vehicle subscription model or leasing?

No, would like to get ownership in the traditional way

43%

35%

Yes, this saves money

21%

Not aware about such models

- There is a need for generating awareness among customers to help them identify the advantages offered by Mobility-as-a-Service (MaaS) solutions, which are yet to be pick up in the country.
- Indian automakers such as Maruti Suzuki India, Tata Motors Ltd. and Mahindra & Mahindra have introduced subscription models for their vehicle offerings. This segment caters to a niche audience, especially young consumers seeking asset-light ownership.



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