

An Empirical SWOT analysis on passenger automobile leasing service with special focus on Indian Market

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ABSTRACT: A car lease is a popular type of auto financing that allows you to “rent” a car from a dealership for a certain length of time and amount of miles. One has typically make monthly lease payments on a vehicle, and in exchange the dealer allows you to drive it. At the end of the lease, you’ll either return the vehicle to the dealership or buy out your lease if you want to keep the car, if that’s an option in your lease. Automobile leasing is now a getting popular for using an automobile without owning it. It is becoming an efficient alternative to avoid hassles of auto loans, car maintenance, yearly taxation etc & provides comfort and flexibility.

Automobile leasing is a contract between the service provider & it is given on fixed duration of time at an agreed amount for the lease. Vehicle leasing offers advantages to both buyers and dealers. For buyers they need not worry about any car loan and the vehicle will be provided in usually in lower lease amount. Car leasing earlier was only known as corporate leasing and was limited to only some of the senior executives of the corporate. Car leasing is one of the fastest growing sectors & has the potential to grow very rapidly in future. As per research there are many pros and cons of the car leasing fleet. The drawbacks usually are for making lease payments for a year or months then the person should have strong and predictable source of income. They will usually provide mileage limit which ranges from 10000-15000 miles per year. If the customer goes beyond it then they will charge additional fee per mile.

I. INTRODUCTION

The introduction to car leasing was introduced by Zollie Frank who started long term leasing of cars in 1914. It was until 1940’s automobile car leasing began in individual and fleet basis. Short term rentals were introduced by Avis, Hertz, and National Rental car which grew rapidly in 1950’s. It was in high favour in 1990’s, which went on a peak in 1999 with 3.7 million transactions. Since then it is declined by 52%, to less than 1.7 million retail new customer new car leases. Car leasing is a smart option because we

have cheaper recurring rates than monthly car loan payments. People nowadays will lease a car for many such reasons, such as willing to buy a new car but also wish to pay less for it than the actual price. It eliminates the problem of selling a car when you don’t want it any more, instead when we are done using that car and return it at the end of the leasing period. When a lease agreement is made there are things to consider like upfront cost, security deposit, the first month’s payment, down payments, state taxes, registration fees, and other charges. To lease a car, the customer borrows the difference between what the car is currently worth and the value that the car is expected to have at the end of the leasing period. Earlier in the decade, U.S. auto sales were over 16 million units a year, and leasing accounted for at least 30 percent of the market. During 2008 before the recession hit, car leasing made up 22 percent of the market. Today, U.S. auto sales are barely hitting 10 million units a year, the lowest amount ever, but there has recently been a rebound of about 16 percent. Who thought hiring was even an option to enjoy the luxury of having to use a car. But with the world undergoing a paradigm shift, it untapped its energies into providing and establishing better services for its customers, leasing has paved its way into existence. Most of the industries have adopted this concept and structured their services accordingly in order to provide the best they can to their customers, but that requires huge understanding of their needs. A commoner would always be awed by the immensely developing technology and the environment around them but limited resources makes them take a step back from the thought of availing such services. The market had its solution as hiring and renting came into picture. This has ensured dreams do come true. Following this concept, several other car brands like Hyundai, TATA group and luxury brands like BMW, Mercedes etc. have also opened their doors to providing the lease facilities. Car leasing and rental is one of the most lucrative and fast growing segment of the automobile sector in India even though it currently represents only 4-5% of the market in terms of absolute number of vehicles, but

its future prospects are strong enough. The growth of the market in India is to ensure manifold growth in its CAGR by 15-20% in the coming ten years and further on making hiring of cars simpler eventually with current worth of Rs. 1500 crores. Most car making companies are making 40% of its business from leasing cars. This has largely helped change the mentality of customers and imbibed the fact that 'why buy when you can lease it'. Several car manufacturers have begun car leasing service in India. For example, Hyundai motors, Volkswagen, and Maruti Suzuki.

In many ways, a car lease is similar to an auto loan. For example, as the person leasing a vehicle — also known as the lessee — you may have to put cash down for the car, and you'll make monthly payments just as you would with a typical car loan. Leases often have lower monthly payments than a car loan — but those lower payments have a downside. Instead of building equity in the car, you're only paying for the privilege of driving it for a set amount of time and miles. While you can often apply for car-loan financing through a bank or other third-party lender in addition to a car dealership, it's uncommon to arrange a car lease through a bank. Instead, you'll most likely work directly with a dealership or a specialized vehicle-finance company. At the end of the lease term — typically two to four years — you'll return the car to the dealership and walk away from the car and monthly payments for good, unless your lease allows you to purchase the vehicle.

SWOT (Strength, Weakness, Opportunity & Threats) ANALYSIS OF AUTOMOBILE LEASING

STRENGTHS

1. Lower Monthly Payments

Leasing a car usually results in monthly payments that are 30% - 60% lower versus buying a car. This allows you to drive a car that you may not normally be able to afford, and this is perhaps the biggest advantage that leasing offers.

2. No Repair Costs, Low Maintenance

If one has taken a lease for 36 months or less, than they are typically covered by the manufacturer's bumper-to-bumper warranty during your entire lease. They will never have to worry about major repair costs, and in some cases manufacturers also offer free maintenance for the first couple of years.

3. No Hassles with Used Cars

When the lease is over, you simply return the car to the leasing company. No more hassles trying to sell a used car - and the value of the vehicle at the end of lease is not your problem.

4. Tax Benefits

If one intend to use the car for your business, you can typically write off the entire lease payment as a tax deduction. And even if one doesn't own a business, most states only levy tax on the "usage" portion of your lease - meaning you don't have to pay taxes on the full price of the vehicle. This can save substantial money versus buying a car and paying taxes on the full amount.

5. Drive the Latest Cars

A lease allows you to drive a new car every 2 or 3 years, giving the benefit of enjoying the latest technological advances and safety features.

6. Less Money Up front

Many cars can be leased with no money down (although there are always going to be some up front fees which can usually be rolled into the monthly payment). When you buy a car, you're usually required to put 20% down in order to get a decent car loan rate.

7. Includes GAP Coverage

Most leases include gap insurance for free which will protect in case the car is stolen during the lease.

Automobile leasing software easily connects people who are in need of the service and admin can monitor the whole flow also the performance of the system in a single monitor. It is totally digital service and available 24/7. The advantages of the most of the automobile leasing software are mentioned below:

- Multiple Login & Signup – Multiple entry points from Facebook, google, linked in comforts users to enter the system easily.
- Verified Users – Authenticated users are allowed in the rental system with increased security and trust of the system.
- Advanced Search And Filters – Among numerous listing, choose the desired one is a bit lengthy process, which turned out to ease with an effective sorting algorithm.
- Individual Panels – You may be an admin or a host or a guest, individual web panels available to smoothen your work. And admin monitors the whole scene in a single dashboard.
- Flexible Profile Management – Switch over as a renter while getting a car for rent and owner while you own a car, the profile can be managed easily.
- Detailed Listing – Owner of the car describes details and promotes their listing for rent.
- Multiple Booking Options – Renter of the car can book the cars as per their needs.

- Wishlist – Most liked listing is saved for another time of booking a chance. Such listing is also shared in various social media.
- Handy – Car rental software is available in web apps, as it is responsive, the panel fits into the screen of your handset.
- Ratings and Reviews – Our car rental scripts affords space to rate the listing and hospitality, that guides other renters to book the listings.
- Multiple Payment Options – Safe and secured transactions with multiple gateways incorporated, enhances the trust of the software
- You can use 31 currencies based on your country – Expand the car rental business across the sea with this option.
- Multiple admins – give roles and permissions to subdomains and split the workload which increases the performance.
- Dispute and Cancellation policies – These policies help in any uncomfortable scenarios, you can break the chain.
- Business Management :Craving to start an online business! You can opt for a car rental business with the best software in the market, which helps you in managing business seamlessly.
- Asset Management – A full packed car rental management software includes various modules like car management, owner and rider management, seamless booking, detailed listing, earnings report, etc. With car rental script it easily connects riders and car owners can control and manage the vehicles, also can find and track the status of the car.
- Data Management – Managing data manually is a delicate task for a car rental operator. By using car rental software, it is easy to organize all the data regarding vehicles, owners, pricing details, rental details and agreements, invoices, etc.
- Billing and Invoicing – By using a car rental management system like Airbnb For cars, it is easy for operators to track the record of cash payments, generating online invoices and billing options. As a rental manager, you can keep track of your cash flow.
- Manage Sales – A rental software makes it very easy to manage sales. There is no need to check your available vehicles and allocated vehicles manually. The software shows all the vehicles, rented vehicles and in park vehicles at a single dashboard. In this way, it is very easy to manage sales and achieving the target.
- Quality Software -Exciting features and designs may attract software, but to retain them

a quality car rental script can only do it. Reliability, security, trustworthiness, scalability are notable qualities of software that can enhance your business.

WEAKNESS

Given strengthening economic headwinds (both macro and micro) the jury is still out and the margins that companies have historically enjoyed could yet come under pressure. Demand for private vehicle leasing, particularly full-service operational leasing, is set to grow strongly, while EVs are going to have a major presence in the passenger car leasing segment. In short, increased complexity invariably means higher repair costs - not least in the field of EV batteries where costly repairs can be incurred even in the case of minor accidents. One potential solution would be for companies to underwrite risk by setting up their own in-house insurers – thereby taking control of the insurance and repair process, with cover paid for within monthly lease payments. There is a challenge to traditional players as new disruptors move into their commercial territory, which will require time and investment to defend.

Car rentals are not considered an essential sector, so we had to follow strict lockdown measures and wait for the restrictions to be lifted before we could resume operations.

OPPORTUNITIES

Car Rental Business in the whole world is growing rapidly. While several players have already entered and established themselves in the market, there is still scope for others. Every company is trying to provide better services and offers to get more reservations and this is bringing improvement and use of new automated technologies in the market. Now rental companies are focusing on customer support, training, sales and marketing to stand out clearly and to communicate better with the customers. This will increase the customer footfalls and sales. Most of the car rental businesses are doing good and some of them are working hard on every facet to improve their services. We can expect a bright future for all car rentals who are implementing smart tricks and technologies to stand out in the market. To provide better services and automate the business, many car rental companies are using car rental management software. A software minimize the task for the management and they can concentrate on developing business plans and new strategies for the development of the business.

THREATS

Changes in government regulations can significantly impact the business model. Automobile insurance cost is steadily increasing making it expensive affair for the service provider Pricing of car leasing is primarily on the higher side currently & if it continues to be the same, then it might face significant business operational challenges

II. CONCLUSION

In a nutshell, Indian customer is seriously considering car leasing service as an option against buying a car. This is seen globally as the car leasing market is expected to reach a valuation of \$492.6 billion by 2025. In the coming year car leasing market in India will be prospering as most car brands now started to expand their services on even leasing, which was not the scenario in the last 4-5 yrs.

The car leasing market appears to be promising & has high possibility of acceptance as it provides the best of both worlds to the customers as well as the benefits of the owner who will still maintain and retain the ownership of cars and gain benefit out of it.



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