



# IndianBlueBook

India's most trusted vehicle pricing guide

# USED CAR INDUSTRY REPORT

## FY2022-23

Presented by



**Das WeltAuto.**  
Certified Pre-Owned

**car&bike**

**6<sup>TH</sup> EDITION**





# FOREWORD

## The Booming Indian Used Car Market: A Glimpse into the Future

India's used car market is on the cusp of explosive growth, fuelled by a potent combination of factors. A burgeoning middle class with rising disposable income, coupled with a growing desire for personal mobility, is creating a perfect storm for the sector. This edition of the Indian Blue Book delves into the current landscape and future trajectory of this dynamic market, exploring the key trends and transformations shaping its journey.

The past decade has witnessed a remarkable metamorphosis in the Indian used car industry. Once dominated by the unorganised sector, the market is now witnessing a significant influx of organized players. This shift is driven by a confluence of factors, including the digital revolution. Online marketplaces, equipped with AI-powered platforms and streamlined market penetration strategies, are rendering the buying and selling process more transparent and efficient for both consumers and sellers.

Furthermore, the social stigma associated with owning a used car is rapidly fading. Consumers are increasingly recognising the value proposition offered by used vehicles, including affordability, lower depreciation, and a wider range of options compared to the new car market. Additionally, the Indian government has implemented regulations aimed at promoting transparency and professionalism within the used car sector. These regulations have instilled greater trust in the market, encouraging established players to enter and contribute to its organised growth.

Looking ahead, the Indian used car market is poised for continued expansion, fuelled by several key drivers. As the Indian economy continues on its growth trajectory, the demand for personal mobility is expected to surge significantly. This will translate into increased demand for both new and used cars, creating a larger playing field for the used car market.

Moreover, consumer preferences are evolving, with a growing focus on quality, safety, and fuel efficiency. Organised players, with their emphasis on certified pre-owned cars and comprehensive warranties, are well-positioned to cater to these evolving needs and capture a larger market share. Additionally, the rise of used car financing options is making these vehicles more accessible to a wider segment of the population, further fuelling the market's growth potential.

Beyond the statistics and figures, this edition delves into the human aspect of the used car market. It explores the diverse motivations of buyers and sellers, shedding light on the changing consumer behaviour and the evolving dynamics between organised and unorganised players in the market. This comprehensive resource provides valuable insights for industry professionals, investors, and anyone considering buying or selling a used car in India. It offers a glimpse into the future of this dynamic sector, painting a promising picture for its continued growth and contribution to the Indian economy.

# THIS YEAR'S REPORT

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# EXECUTIVE SUMMARY

Globally, India is the fourth-largest automobile market as of FY23. By moderate estimates, India is all set to become the world's third-largest automobile market by 2025. Driven by an increasing and aspirational middle-class population and a strong desire for personal transportation, India's used car market has a lot more to offer.

In more ways than one, there is an enormous untapped potential in the country's used car market. Already dynamic and attractive, this market, however, remains unexploited in myriad ways. Currently, it stands at 5.1 million units. By FY 2026-27, it is expected to reach a staggering 8 million units, and by FY 2027-28, it is projected to cross the magic 10-million units mark. No wonder it is considered to be a thriving segment of the automotive industry.

Apart from an increasing preference for personal mobility, other key factors such as rising disposable incomes and shorter vehicle replacement cycles are encouraging as well. All these factors will only invigorate the demand for pre-owned cars. Post COVID-19, the demand for used cars among new-age buyers remains high globally. In India, the story is no different. The Indian market for used cars will rise exponentially, as social taboos in relation to used cars are fast fading.

Another encouraging aspect is the way the unorganised used car market in India is developing into a more professional and a formalised one. This could be a real game-changer. Though the unorganised sector continues to hold a high preference order among consumers, the organised sector has captured a decent share of the unorganised sector over the last few years.

India's demographic dividend – the country's youth population – will only propel the demand for pre-owned cars. Latest research surveys demonstrate that there are only 20-22 cars per 1,000 people in India. In the United States and the United Kingdom, this ratio is 980:1000. All such signs are heartening for India's used car industry. Moreover, the organised segment of the used car market is expanding rapidly, thus gaining traction from the entry of Original Equipment Manufacturers (OEMs) and new car dealerships, offering Certified Pre-Owned (CPO) cars with enhanced transparency and quality assurance.

In the age of Artificial Intelligence (AI), automobile companies have realised that going digital is the way forward as it not only reduces expenses, but also ensures customer contentment. The intervention of technology has grown to such an extent that the entire process of buying or selling a car can be completed within a day or two. Tech-savvy customers are less inclined to find time to visit dealerships during the car buying process in the face of a quick and effective digital alternative.

Therefore, the growth story of the used cars industry is an irrefutable reality. The used car industry in India, which presently stands at about \$32.44 billion, is expected to touch nearly \$73 billion by FY 2028. In a span of five years, India's used car industry will witness a paradigm shift!

# INDUSTRY INSIGHT

## INSURANCE PENETRATION IN THE USED CAR MARKET

*- By Mr. Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance*

In India, Third-Party (TP) Motor Insurance is mandatory as per law. However, many people opt for comprehensive Motor insurance that helps them safeguard their motor vehicles against a wide range of risks; it provides financial protection and offers a sense of security and peace of mind. That's not all, with the rise of technology and after the implementation of 'Use and File', insurers are increasingly designing innovative products that address the specific needs of customers. Despite the great benefits of motor insurance, the sad reality is that more than 50% of vehicles on Indian roads are uninsured. This leaves a huge protection gap in this space. Each year, numerous accident victims fail to receive proper compensation due to the absence of motor insurance, which pushes many families below the poverty line. Similarly, a third-party claim may cause a substantial financial strain as the liability may range from a few lakh to crores. You would be amazed to know that such hardships can be avoided at a nominal price. A TP premium barely costs you a cup of tea that you have regularly. To enforce motor insurance for all, active collaboration between the insurance industry, the Insurance Information Bureau (IIB), traffic authorities, police, and the Ministry of Road Transport & Highways is on the rise. Fines are being imposed on those who are found driving without mandatory insurance to encourage compliance and make people understand the seriousness of the situation. One recurring pattern is that many people purchase insurance but forget to renew it after the first purchase. With digitisation and user-friendly apps, renewal is just a click away, ensuring convenience for customers.

Moving to the used car market – while it has traditionally been unorganised, it is now gaining immense traction. This is the result of the increasing purchasing power of Indians; owning a car was once a luxury, but now it's becoming a part of everyday life for many. People across the socio-economic spectrum are buying cars, which was not the case earlier. Also, many households have more than one car, and one of these cars may be a used car. However, insuring used vehicles can be tricky; first and foremost, the buyer must ensure that the ownership of the car is transferred to them. To get the ownership of vehicle transferred, duly filled and signed ownership transfer forms must be obtained from the seller. Post this, the insurance has to be transferred, and if the seller wishes to retain their No Claim Bonus (NCB), they can get it done with the help of their insurer through an NCB reservation letter. In a formal structure, this process is relatively seamless. Since India's second-hand car market remains unorganised, awareness about retaining no claim bonuses or transferring insurance is still low among many sellers and buyers. The sector is gradually becoming organised as many leading manufacturers are entering this space. Resultantly, even local, organised players are getting organised by collaborating with e-commerce players. These platforms provide a seamless interface for listing and selling cars.



This transition to organised platforms is expected to increase insurance uptake during the sales of vehicles, ensuring compliance with legal requirements for vehicle ownership transfers. Insurers now have a vast opportunity to partner with these aggregators or e-commerce players and offer tailored insurance solutions. The accessibility of these platforms through mobile apps facilitates easy access to insurance for customers. This trend indicates the second-hand car market will significantly contribute to the insurance industry's motor premium opportunity. As many people now typically replace cars every 5-7 years, this cycle opens a continual demand for insurance of used cars, which insurers can tap into through partnerships with organised market players. Another huge opportunity is that many companies are now offering extended warranty on used cars, obviously; the terms will depend on the condition of the vehicle and might be limited to certain parts. But this avenue will continue to grow.

In conclusion, the used car market's evolution toward organised platforms presents a substantial opportunity for insurers to expand their market reach. As the trend continues, insurance penetration in the used car sector is expected to rise, providing increased coverage and financial security for car owners across various demographics.





# SECTION 1

## GLOBAL AND INDIAN MARKET SCENARIO

Globally, the demand for used cars among the new-age buyers remains high. In India, the story is similar, as the country's middle-class population is increasing and so is the desire for personal transportation. In a country of 1.4 billion, this growing aspiration is expected to lead to an exponential rise in the used car market in India. Several factors have contributed to this shift, particularly the gradual diminishing of the social stigma associated with purchasing used cars.

The Indian used car market is expected to clock sales of around 10 million units by 2028. Over 3.5 million cars were sold in India in FY 2022. It is a new record for the country. Around the same time, a little over 40 million pre-owned cars were sold globally. Consumer research highlights the growing preference for personal mobility among the customers.

In India, buying a pre-owned vehicle is no longer considered a 'compromise'. Like other businesses, the digital revolution is transforming the automobile industry as well. The consumers – who are already accustomed to getting most of their tasks and purchases accomplished via mobile phone apps – are less likely to find time to visit dealerships during the car buying process. To put it simply, the growth story of the used cars industry is now an undeniable reality.

## A DECADE OF DEVELOPMENT

The past decade can be described as a 'decade of development' as far as the Indian used car industry is concerned. It has risen significantly since 2013. India is also witnessing a transition of sorts from an unorganised setup to an organised system, as more players are entering the market. The organised chains are becoming relevant as never before. The COVID-19 pandemic, followed by government regulations and digital marketplaces, has fuelled sales in the used car industry, especially in the organised sector.

As per Ashutosh Pandey, Managing Director and Chief Executive Officer at Mahindra First Choice, the business landscape has experienced a change in the post-pandemic world and there is a clear preference for used cars among consumers across the length and breadth of India. There is every possibility that the used car industry will keep achieving double-digit growth for many years to come.

According to Mr. Ashish Gupta, Brand Director, Volkswagen Passenger Cars India, "the pre-owned car market is significantly growing with the potential of it being double by FY 2028. The growth primarily comes from the evolving trends and customer preferences while selecting a pre-owned vehicle. A notable shift is the top priority of safety features,

a transition similar to the new car industry. Enabling a brand like Volkswagen, to be more accessible and in-demand for customers with our 5-star GNCAP rated product portfolio – Taigun and Virtus. The high preference for safety features and standards among customers is positively impacting the residual value of Volkswagen cars, especially the Taigun. We are confident the Das WeltAuto business, will continue to grow as one of the top certified pre-owned car brands in India for customers.

India is fast emerging as one of the world's fastest-growing automotive markets. Some factors behind this transformation include technological explosion, rising incomes, middle-class aspirations, desire to own a vehicle besides the improved condition of roads and highways.

### **GLOBAL SCENARIO:**

In 2022, the global used car industry was valued at \$896 billion. It is expected to cross the \$1500 billion mark by 2028, with a compound annual growth rate (CAGR) of 9.1% for the period 2023-28. Acquiring digital marketplaces and the use of AI for buying/selling will ensure the growth of the industry. Looking closely at developed countries, it is clear that the average age of cars has increased. It appears that the Western nations have been mostly conscious and haven't seriously considered the possibility of exchanging their old car to purchase a brand-new vehicle. The key factors behind this could be the quality of cars and an established second-hand car market.

### **THE MAGIC OF AI:**

An exhaustive study conducted by COX Automotive Inc. shows that an average buyer visits only two dealerships in the entire car buying process. Due to reliance on digital technology, modern-day car customers are less likely to visit dealerships during the car buying process. Artificial Intelligence is present across the value chain in the used car industry, especially for the organised players.

FAQs are answered and concerns are addressed online in a satisfying manner. The entire buying and selling process is enabled through AI-based marketplaces and chat bots for personalisation or query resolving. From a company perspective, it all trickles down to operations like virtual inspections, pricing, etc. The digital process reduces costs for the company and, at the same time, improves customer satisfaction. The process is transparent, and the experience is rewarding for all involved stakeholders. There is a definite link to higher sales too. Undoubtedly, the used car industry is on the right trajectory of growth.

There is no denying that technology is changing and shaping our world. It is also playing a critical role in the automobile industry, making the industry much more efficient. The use of artificial intelligence has reduced costs and improved supply chain management.

AI is creating magic in the used car industry too. Very much a by-product of AI usage, personalisation has become vital on two ends – customer and dealer. Conversational AI helps in Dealership Management Systems (DMS) and Customer Relationship Management (CRM).

A case in point is Impel, the New York-based digital engagement start-up. In January 2023, Impel announced that it secured \$104 million in growth investment. The start-up offers an AI-powered customer engagement platform. This is seen as an incredible development in the automobile industry. The buzz in relation to the use of AI in the used car industry is real.

### Global Used Car Start-Ups Dominating Across Geographies



Source: car&bike Analysis

### INDIAN MARKET:

Certified pre-owned cars or used cars are transforming the Indian automobile industry. Used cars that have gone through a proper and professional inspection and refurbishment process offer peace of mind and contentment to the customer. The purchasing process hardly feels any different from buying a brand-new vehicle.

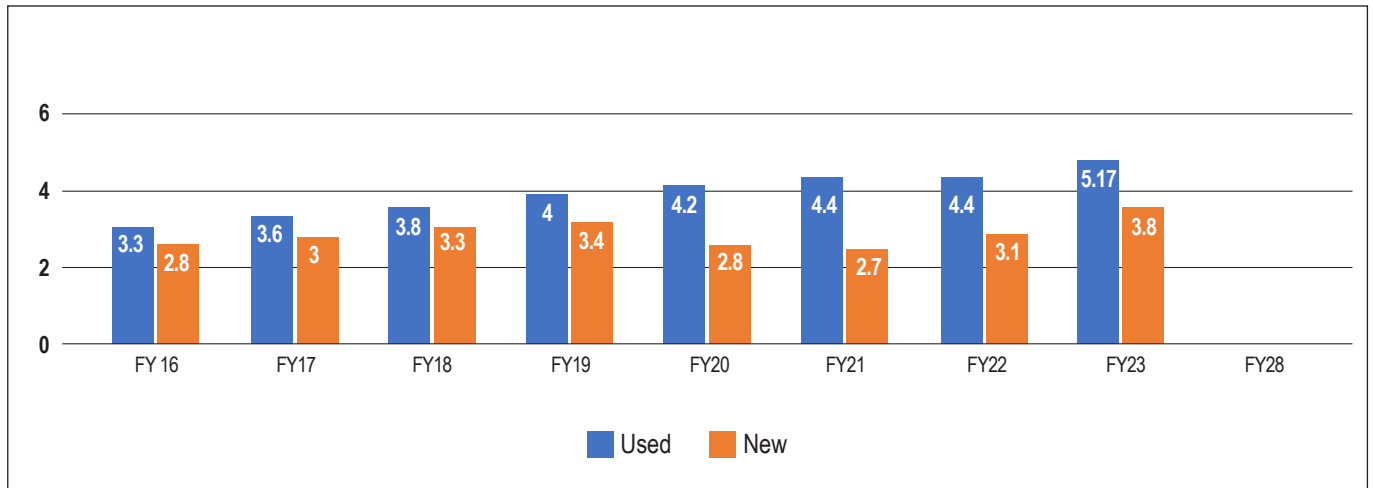
Currently, India's car market is valued at \$32.44 billion. By 2028, its value is projected to be \$72.95 billion. Organised players in the Indian market have played a pivotal role in the growth of the used car industry, and this growth is expected to continue. The number of organised players has only gone up. On the other hand, transactions in the unorganised market happen mostly between individual buyers/ sellers or an unorganised dealer, resulting in a trust barrier.

Original Equipment Manufacturers (OEMs) and established companies act as a bridge to minimise this barrier. Companies such as Maruti True Value, MFCWL, Car Dekho, Spinny etc. have shown progress and growth, thereby eating up the unorganised market share. These organised players have played a decisive role in bridging the gap and reducing trust barriers, primarily by virtue of their brand equity, transparency, and the warranty they offer. To say that these players have 'been on a roll' will be an understatement.

With the presence of organised players, there is a rise in online retailing as well. A major part of negotiation and paperwork is handled by the buyer/ seller. Since the process takes place on a certified platform, transparency between the parties is ensured. Customers have a plethora of choices available before them to explore while making use of online retailing. All of this can happen while sitting at home.

India’s car sector has been among the fastest growing automobile industries. According to the Society of Indian Automotive Manufacturers (SIAM), the annual passenger vehicle sales totalled to about 3.8 million cars, registering a record 26% increase. The growth of new car sales is supported by the massive growth of the used car industry, as the pre-owned cars offer car buyers a variety of options to own vehicles at affordable prices. The sale of used car units has increased manifold, and the industry is destined to clock further growth. In India, the sale of used cars clocked close to 5.2 million in FY 2023.

### Used vs New Car Units (in Million)

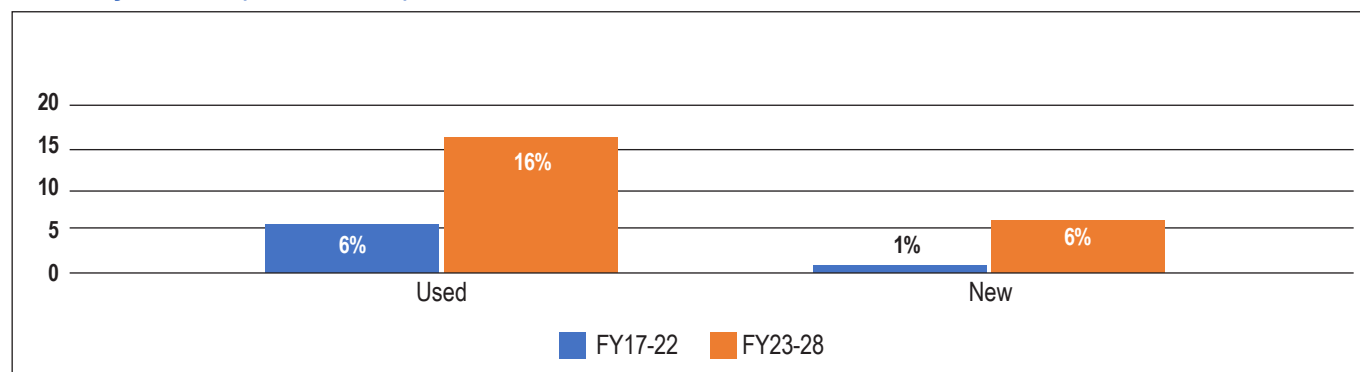


Source: car&bike Analysis

It is evident from the given graph that the new car market in India is growing strong, but there is a vast untapped potential in the used car market as well. Interestingly, if we look separately at the used and new cars industry over a span of four-five years, the Compound Annual Growth Rate (CAGR) of the pre-owned vehicles has significantly surpassed the new cars. As shown in the graph below, the new car industry has crossed the pre-pandemic numbers, but the used car industry has massively grown.

By FY 2026-27, India’s used car market will touch the 8-million-unit mark. The Indian used car industry is valued at \$31.33 bn in FY 23 and expected to be at \$70.48 bn in FY 28.

### CAGR by Volume (Used & New)



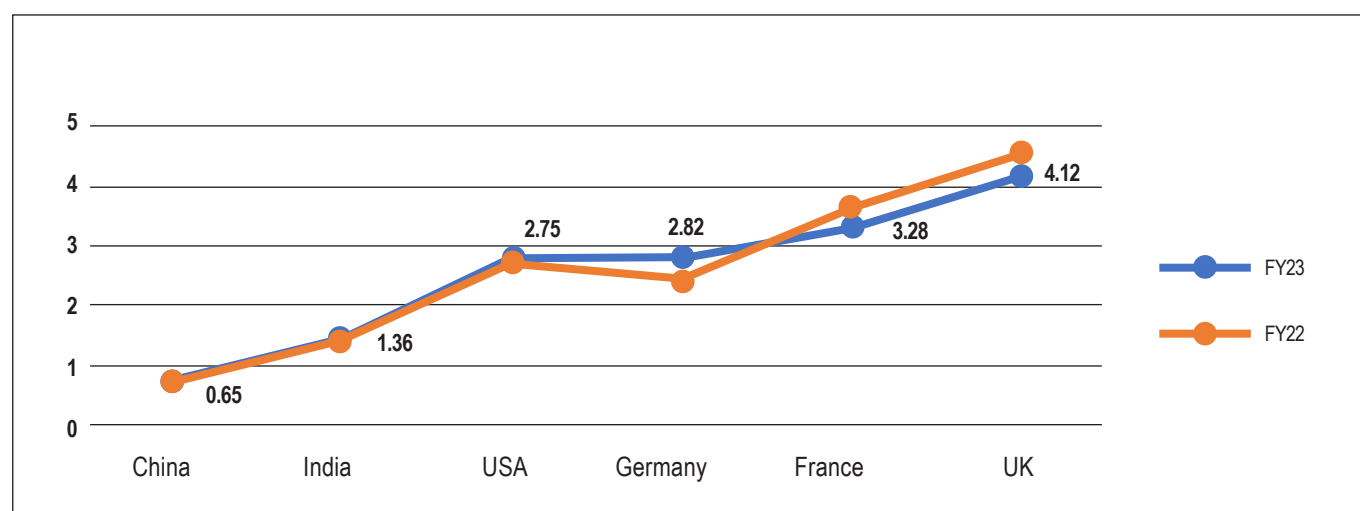
Source: car&bike Analysis

Yet another striking feature of India’s pre-owned car market is the intervention of used car start-ups. These start-ups have attracted the attention of a lot of car buyers who were earlier either undecided or simply fence sitters. Sustained marketing campaigns have been helpful. The increasing marketing spends by the pre-owned car platforms and their creative brand campaigns across diverse media platforms have been effective in attracting investor focus. Since FY 21-22, advertising spends have skyrocketed, resulting in brand awareness and effective two-way communication.

### KEY INDICATORS:

Globally, the trend shows that the United States of America and Germany are the two countries with an upside in the used/ new car ratio. The scenario in India is encouraging, as the used/ new car ratio is all set to rise to 1.95% by the end of the decade. There is a massive opportunity for the used car players to grow further. Over the last few years, the used/ new car ratio has been range-bound.

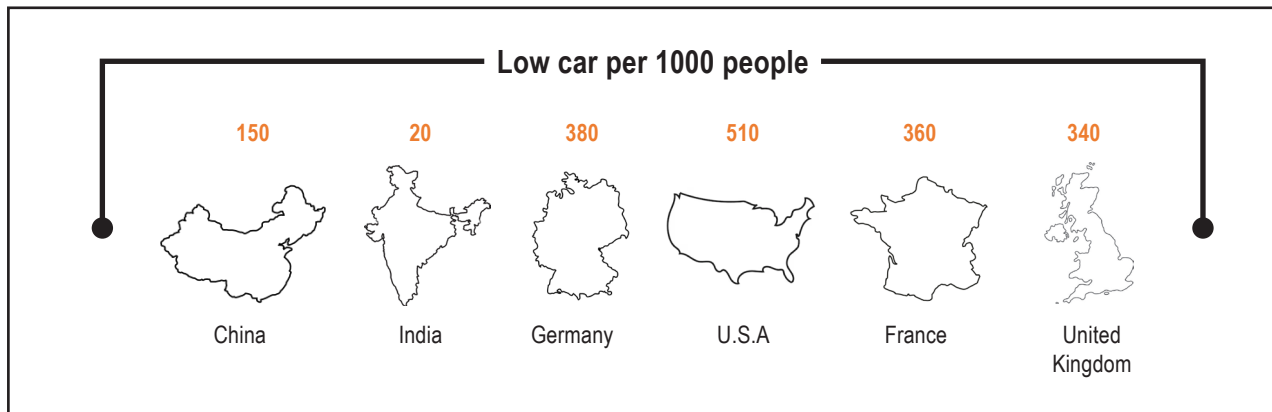
### Used/ New Car Ratio



Source: car&bike Analysis

During and in the aftermath of the COVID-19 pandemic, factors such as shortage of semiconductors and supply chain constraints led to a surge in the sale of used cars. In FY 2023, however, the post-pandemic upsurge of used cars subsided while that of new cars crossed pre-pandemic levels, resulting in a lower used/ new car ratio.

## Factors Driving the Rise in Used Car Ownership



Rising  
Disposable  
Income



Reduced  
Ownership  
Duration



Cost Of Ownership  
and Maintenance



Easy  
Financing



Increased  
Reliability



Digital  
Marketplaces



Low Vehicle  
Ownership  
Density



Warranty



Independence

Source: car&bike Analysis

## GLOBAL USED CAR BUSINESS MODELS

Globally, as many as 50 top auto sites are leading the way in terms of total monthly visits to the websites. In the next seven years, that is during the forecast period between 2023 and 2030, the global used car market is anticipated to grow at a steady rate and, as various strategies adopted by key players bear fruit, the pre-owned vehicle market will only rise further.

On the other hand, the Indian used car start-ups have also witnessed an unprecedented digital growth over the last few years. Digital transformation has paved the way for car&bike to clock 94.7 million monthly visits.

Primarily driven by the increasing demand for Franchised, Independent Car Dealers and Rental Car Companies, the market for pre-owned vehicles is expected to grow annually. It appears that the COVID-19 pandemic and technological disruptions have acted as a catalyst rather than an obstacle in the growth of the used car market. There seems to be a clear shift as some customers have either gone totally digital while others have become a part of their vehicle purchase journey during the stages of research, exploration, negotiation, etc.

**The following five business models provide a better picture:**

**1. Business to Business (B2B):** Procurement of vehicles from car dealers/ financial institutions/ fleet operators and selling the vehicle to any other car dealer. This B2B model can be either an aggregator or a traditional buy & sell business.



**2. Business to Consumer (B2C):** Procurement of vehicles from a car dealer/ financial institution/ fleet operator and selling the vehicle to a retail customer, that is a classic example of traditional used car player. This happens via the digital channel of the company wherein buyer & seller are brought together or at a retail showroom.

**3. Business to Business to Consumer (B2B2C):** Procurement from a car dealer/ financial institution/ fleet operator and selling the vehicle to a retail customer via another car dealer. This happens through tie-ups.

**4. Consumer to Business (C2B):** Procuring vehicles from a retail used car seller and subsequently selling it to a used car dealer.

**5. Consumer to Consumer (C2C):** Procuring vehicles from a retail used car seller and then selling it to another retail customer. This is done through digital aggregators, marketplaces or on a personal level.

## INDIAN USED CAR BUSINESS MODELS IN PLAY

Based on mode of transaction, channel focus and asset, Indian business models are categorised as transactional and non-transactional. Asset intensity is defined as the amount of investment made for operational purposes and the number of sales generated in return. A firm can be Asset Heavy, Partly Asset Heavy or Asset Light. In India, the focus is on minimising the role played by middlemen while serving buyers and sellers. Furthermore, platforms in India's used car market aggregate demand and supply.

### TRANSACTIONAL MODELS:

**1. Consumer to Business (C2B):** This model enables consumers to sell their car to a platform where they are in a position to inspect and further sell it to a used car dealer. It turns out to be an Asset Heavy model. The procured cars are auctioned on various digital platforms. Cars are thoroughly inspected and auctioned to a network of dealers, usually within 24 to 48 hours.

**2. Business to Consumer (B2C):** This model enables selling used cars directly to the buyer. This, too, is an Asset Heavy model. In this case, the company refurbishes the procured car and sells it to a buyer via e-commerce platform or stores. COCO (Company Owner Company Operated or Franchise) requires higher investment, while the Franchise Model lightens the asset and e-commerce reduces store costs. Asset Light models help the company focus more on delivering assistance and support to dealers through lead management, financing, insurance warranty, post-sales support, etc.

For instance, credible and tested platforms like Mahindra First Choice (car&bike) leverage the 'Phygital Platform Strategy' wherein they aggregate supply and demand while facilitating transactions via their e-commerce channel ([www.carandbike.com](http://www.carandbike.com)) and offline via franchisee networks.

OEM platforms such as Das WeltAuto focus on establishing a network through current OEM dealerships while additionally assisting buyers with financing, warranty, and insurance.

**3. Business to Business (B2B):** This is partly an Asset Heavy model wherein the company supports dealers in obtaining procurement of vehicles. This strategy is beneficial if a dealer-to-dealer transfer mechanism is in place to help the stock move around more quickly. Used car auctioning is facilitated by the company’s tech-led platform. There are a few assets that can be described as Asset Light models, such as hosting an auction digitally wherein the sellers can watch the live proceedings of the bidding process. For example, Okashan enables auctions with access to real time bidding for sellers.

**NON-TRANSACTIONAL MODELS:**

1. Classifieds work on the concept of advertising wherein buyers can see cars that are advertised on the platform. Buyers can make informed decisions by researching, connecting with dealers, OEMs, etc. They partner with multiple third-party financiers, automotive ancillary products, and services to offer a complete package to the buyer.

2. Content based models are in the form of blogs, forums, online communities, and other sites where the primary offering to visitors is information which they would like to know before or after purchasing/selling used cars. This information is often provided for free, however the websites are monetised using advertisements or affiliate sales once there is influx of traffic.

car&bike delivers updated auto content to readers besides providing a platform for buyers and sellers to indulge in transactions for both used and new cars.

**A. ORGANISED AND UNORGANISED:**

In India, the used car market continues to remain fragmented, with the unorganised sector having a higher market share of about 45%. However, over the years, there has been an emergence of organised players, from Maruti True Value to the new-age tech start-ups like Spinny and car&bike who have proved their worth in the market. Based on ownership, the market can be divided into the following categories:

**Used Car Companies by OEMs**



Source: car&bike Analysis

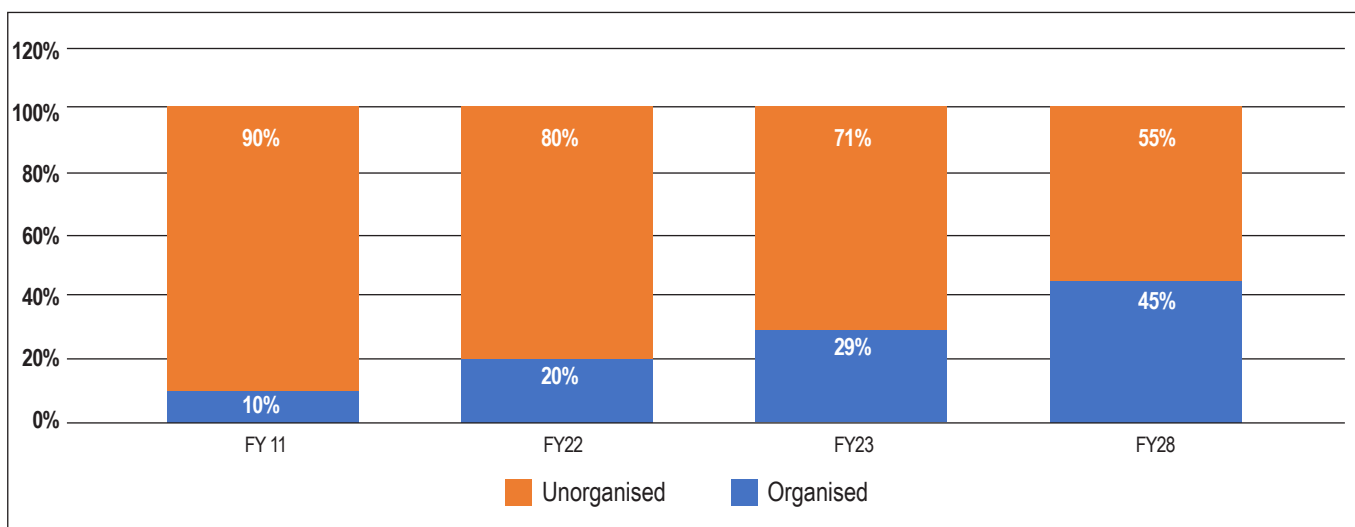
### New-Age Tech-Based Start-Ups



Source: car&bike Analysis

Research and industry experts firmly believe that transparency, digitalisation, personalisation are the factors behind fuelling the organised sector, as these have become more relevant to buyers and sellers than before. The unorganised sector is driven by local dealers, brokers on WhatsApp groups, their own outlets, as well as social media platforms such as Facebook/ OLX Listing (Marketplace).

### Organised vs Unorganised



Source: car&bike Analysis

Since the last decade or so, there has been a constant increase in the market share of organised dealers. During FY 2023, the organised dealers contributed about 29% of the total market. The market share continues to increase and it is projected to be about 45% by FY 2028.

### B. VEHICLE TYPE & PRICE RANGE:

Based on vehicle type, the used car market can be segmented into four categories:

1. Hatchbacks
2. Sedans
3. SUVs
4. Luxury Cars

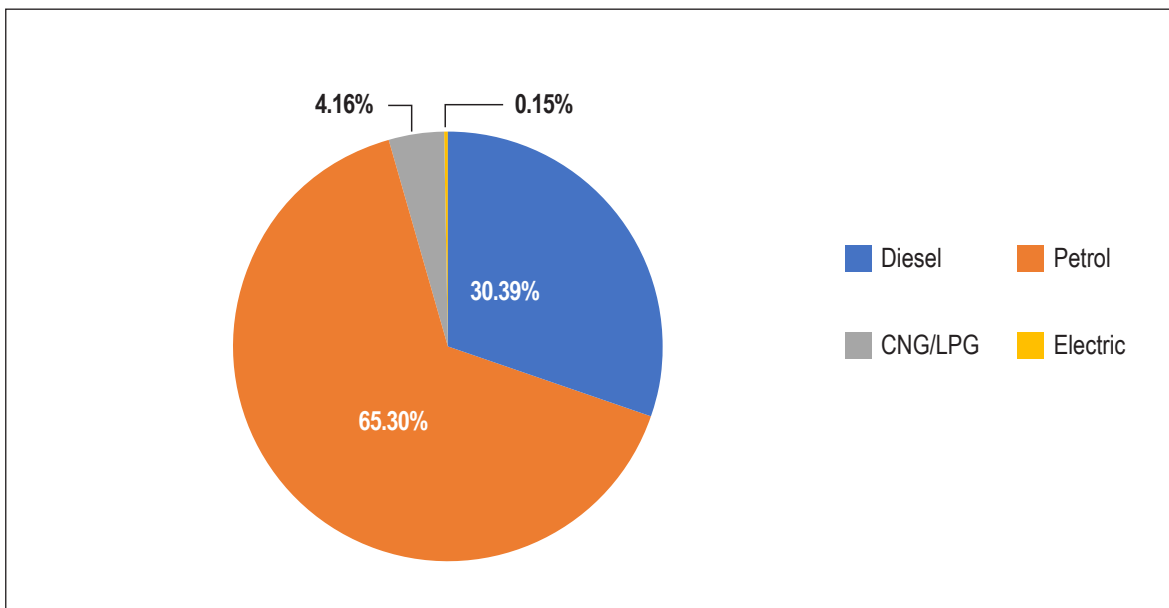
More often, only the first three categories are considered, but over the last few years, the used car market for luxury cars in India has witnessed a massive rise. Research studies demonstrate that India’s luxury used car market is growing by nearly 20% per year. There are numerous cases wherein buyers, who previously owned hatchbacks, have displayed a preference for procuring a used sedan. Obviously, this is an upgrade for them. For now, hatchbacks continue to dominate the market primarily due to low maintenance costs, resale value, price range, compact size, etc.

**C. FUEL TYPE:**

CNG cars are least preferred, due to reduced boot size and a lack of accessibility to CNG gas filling stations. CNG vehicles are commonly used as taxis across the countries due to cheaper fuel and government regulation on diesel/gasoline cars. Predictably, the petrol segment continues to dominate the market.

One of the main reasons for this is the constant increase in the diesel prices. That is why we are witnessing a trend wherein the buyers are showing a preference for petrol cars over diesel vehicles. In India , petrol cars dominate the used-car segment with a 65% market share which is quite similar to the new car space where petrol cars have about 70% of the market share.

**Fuel Wise - Used Car Sales**

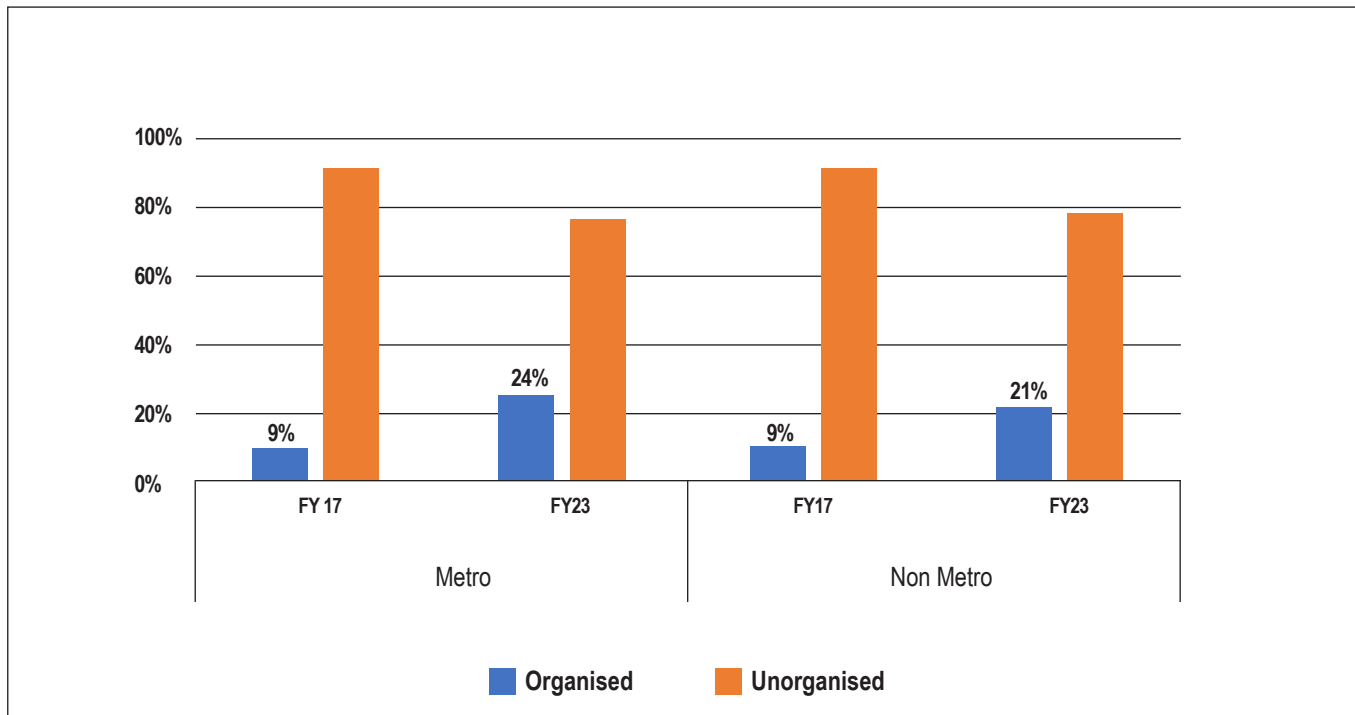


Source: car&bike Analysis

**D. GEOGRAPHY:**

Since India is not homogenous, the volume of used cars sold isn’t evenly spread. A majority of the supplies remain concentrated in urban markets which include Mumbai, Bangalore, Chennai, Hyderabad and Delhi NCR.

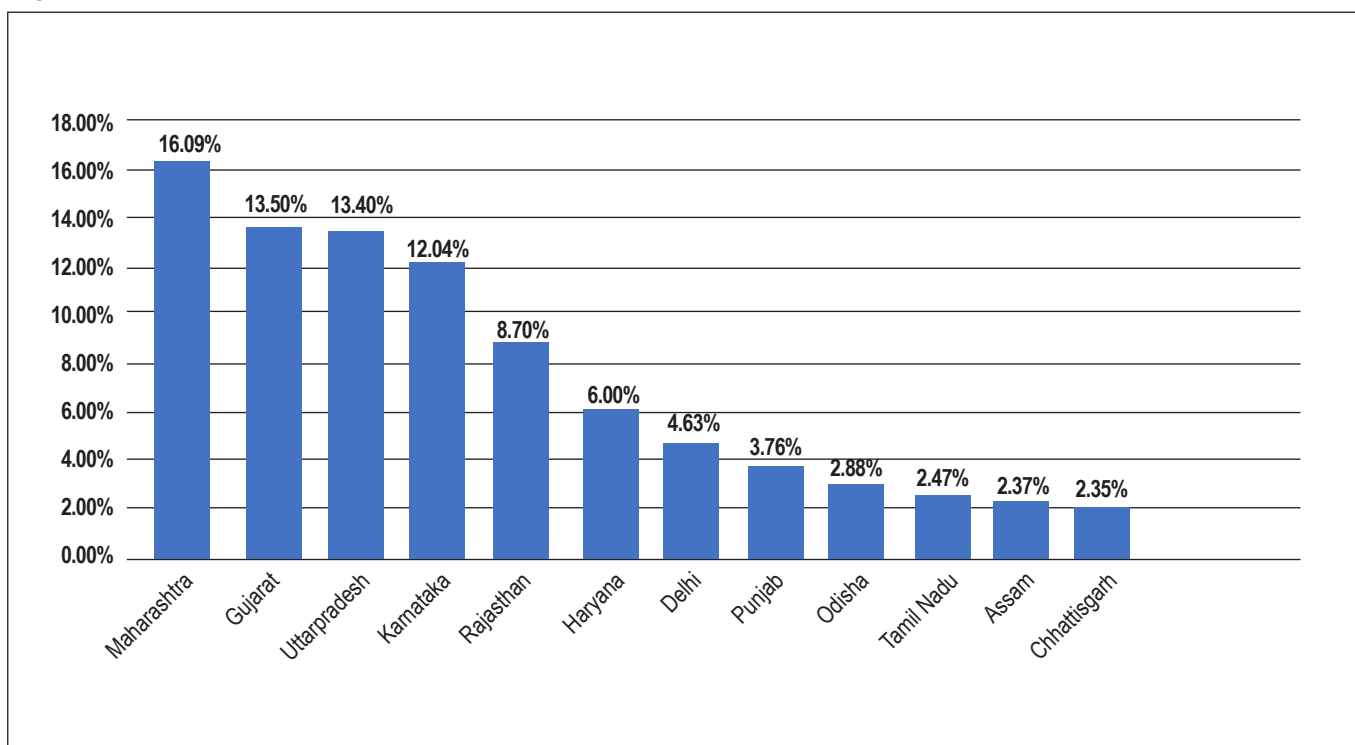
### Dealerships: Metro vs Non Metro



Source: car&bike Analysis

Both in metro and non-metro regions, there is a significant rise in the number of organised dealerships. Metro cities have a higher share of organised dealerships; from being 9% in FY 17, it has come up to 24% in FY 23.

### Top States for Used Car Sales: Market Share



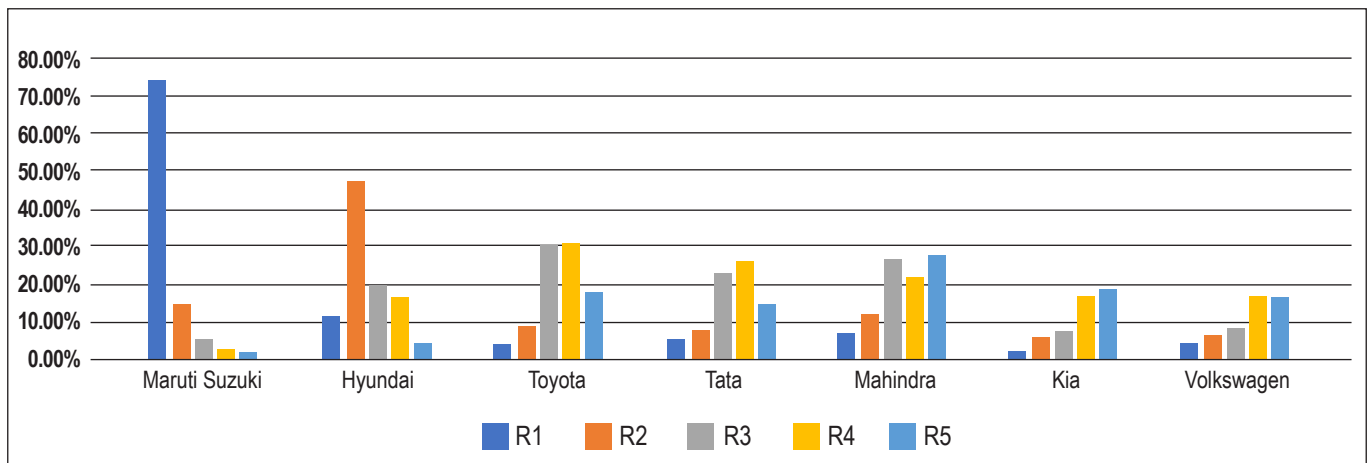
Source: car&bike Analysis

Maharashtra holds the highest market share in used car sales as a state, which is replicating the results of the new car space wherein they stand right at the top.

## E. SALES:

India is a country where every season is celebrated with different festivals and festivities. As far as car sales is concerned, the decision of consumers is somewhat driven by seasons and festivals. The months between October and December could be termed as 'hot sale periods'. During Diwali in November and Christmas and New Year festivities in December, we experience a jump in the sale of cars. At the end of the winter season, the spring season is also a joyful period for the sale of cars. April to June, a period which marks the beginning of a new financial year, also sees a lot of consumers purchasing cars.

### Top Brands Sold by Market Share (Ranked by Dealers)



Source: car&bike Analysis

The above graph depicts the ranks of top brands sold by market share (ranked by dealerships). More than 70% of dealerships have voted Maruti Suzuki as the rank 1 (R1) selling car, Hyundai is placed at R2 with more than 40% of dealers voting for it, while there is a very close competition between Toyota and Tata for R4, a similar competition between Tata and Mahindra for R5, and so on.

## DIGITALISATION: A NEW NORMAL

Technology remains one of the main drivers and a new normal for the used car market in the post-pandemic age. Consumers are increasingly opting for digital technology for numerous touchpoints in their purchase experience. The use of Artificial Intelligence has transformed this sector by taking client experience to another level. It is normal for a prospective buyer to expect precise product searches and comparisons at online platforms, paving the way for consumers to make informed choices. Moreover, AI also eases inspection processes, and improves personalisation and assistance. Digital transformation has created a frenzy of sorts (digital retailing) in the used car market.

Digital retailing starts with a company listing the cars available with their details, wherein customers have an option to browse through them, book online test drives for free, connect directly to a prospective seller, enquire about warranties, etc. After weighing all pros and cons, the prospective customer can make an informed choice and finalise the purchase. The entire journey is Phygital – the browsing, deliberation and exploring processes are done online.

Another important facet that must not be ignored is that the overall tone of the vehicle-buying experience has now been positively altered. Digitalisation allows prospective and responsible buyers to browse and research information regarding their cars before even physically visiting a showroom. These significant and positive changes have been propelled by digitalisation and increased use of AI in the used car industry. Perspectives of 360-degree cinematic virtual reality have revolutionised the used car market.

Not only is digitalisation gaining momentum in the used car industry, it is also dominating the market in unimaginable ways. Such a transformation has achieved the following:

#### **CUSTOMER EXPERIENCE AND RETENTION:**

Digitalisation enables a prospective buyer to procure more information, which, in turn, helps companies manage and improve their customer relationships better. The data is about the choices of cars, financiers, warranty, etc offered by explorers, intenders and buyers on the digital platform.

#### **SALES AND MARKETING - REDUCING COSTS:**

Introduction of chat bots reduces the need of sales representatives and help desk executives. In-person visits are also reduced in stores through technological intervention like AR/ VR, 360-degree view and video calling facility on the app.

#### **VEHICLE INSPECTION - DETECTION OF DAMAGES:**

AI inspection streamlines the process of damage detection where it cannot be tampered either by the dealer or the seller. Many customers are eager to know the exact history of the vehicle or want to check the vehicle before purchase but fail to check it properly. To ensure transparency, AI inspection generates a comprehensive damage report, wherein an algorithm performs using pre-defined objectives. This technology has created a new standard of damage/ vehicle inspection processes.

### **MORTH REGULATIONS**

On 22 December 2022, India's Ministry of Road Transport and Highways made an amendment to the Central Motor Vehicle Rules (CMVR) vide notification G.S.R 901(E) with the aim to promote ease of doing business and transparency in the sale and purchase of registered vehicles through dealers. According to new MoRTH regulations, the used car dealers will now need to obtain a certificate from the registering authority in their jurisdiction.

Additionally, the possession of any used vehicle will warrant the full responsibility of the vehicle. This will ensure that the disputes related to third party damages and identification of defaulter during the process of the transfer of vehicle to the subsequent transferee are minimised. Moreover, the MoRTH amendment has a provision to suspend or cancel a used car dealer's authorisation certificate, if found violating any rules. The new guidelines will boost the organised sector.

The idea behind MoRTH notification was to address important issues encountered during transfer of a vehicle to the subsequent transferee, disputes regarding third-party damage liabilities and difficulty in determination of defaulters, among various other things. Now, it is hoped that fraudulent activities do not go unchecked or unchallenged. There is an additional responsibility added to the seller of the vehicle, who will have to inform the handover of his/ her vehicle to the used car dealer to MoRTH through a portal by filling form 29-C. Such amendments will foster a safe environment to buy and sell cars.

## **CAR LEASING**

It is the new buzzword. Though in the infancy stage, car leasing has tremendous potential to grow. Prospective customers have the facility available to drive a new car/ old car without making any down payment. There is no hassle in relation to ownership as he/ she can return the car once the lease period expires. In more ways than one, car leasing is eye-catching. One of the major attractions is that one can get a brand-new car or even a used vehicle of their choice without making a down payment for the same. This also paves the way for driving an aspirational luxury car without adversely affecting your pocket. More importantly, there is no hassle involved like finding a seller for your car because you just need to return the car to the company after the leasing period gets over.

### **CAR LEASING IN INDIA:**

Automobile ownership is the most common way to obtain a car for daily commuting. There are many alternatives available, as you can get your dream cars on lease online in India. It is true that, in India, car leasing is still a new phenomenon, but it is picking up very fast. Car makers such as Volkswagen, Mahindra, Maruti, Skoda and Hyundai have come up with some attractive lease plans. Car leasing allows a customer to drive a new or old car at costs significantly lower than its loan since you only pay for the part you use.

### **FINANCIAL LEASE:**

In this case, the Lessee (a person who holds the property) pays for the asset being used for the term of the lease. Once the lease term ends, the ownership is transferred to the Lessee.

### **OPERATING LEASE:**

In simple words, Operating Lease is a sort of a contract wherein the owner (Lessor) allows the user (Lessee) to use an asset for a particular period which is much shorter than the economic life of the asset without any transfer of ownership rights. Here, the Lessor has the ownership of the asset during the term of the lease.

Some of the top car leasing companies in India include ORIX Auto Infrastructure Services Ltd (OAIS), Avis Lease, ALD Automotive and Quicklyz.



### Some Leasing Companies in India



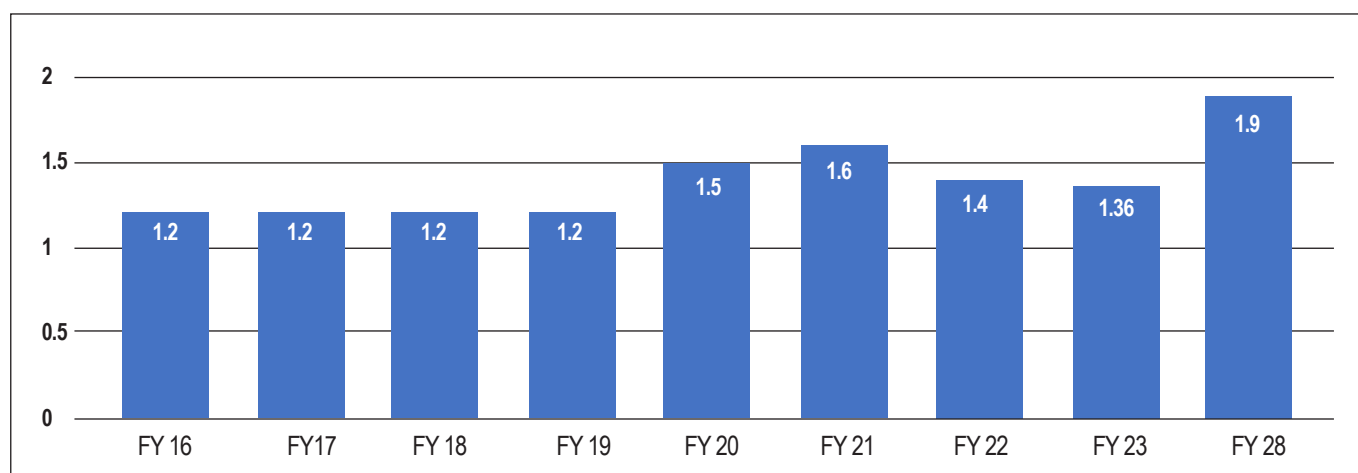
Quicklyz, a credible car subscription and leasing service provider, enjoys backing by Mahindra Finance. Currently, Quicklyz is one of the prominent leasing/ subscription companies in India. At the moment, its B2B market share is significantly high in the subscription/ leasing business. With more awareness, retail users would gradually increase and more growth is inevitable.

On the other hand, car leasing is a well-established industry in developed countries like the United States of America and some parts of the European Union. In the USA, the car lease market was valued at \$80.4 billion in 2022.

### KEY FACTORS BOOSTING DEMAND FOR USED CARS IN INDIA

Purchase intention is the readiness and eagerness of a prospective customer to buy a product. In the case of growing demand for pre-owned vehicles in India, several factors are at play. Attitudes, affordability, improved after sales services are some of the major factors affecting demand for used cars in India. Attraction to the used car industry can be understood by drawing comparisons with the new car market, on an annual basis, and the recent rise of sales of units.

#### Indian Used/ New Car Ratio Over the Years



Source: car&bike Analysis

Consumers want cars available to them at affordable prices. Major factors influencing demand for used cars in India are organised players and digital presence. In the above graph it can be clearly depicted that the ratio of used/ new car ratio has been either consistent or on the rise over the last few years.

Organised players have been able to deliver cars of quality to customers, a testimony for the growing demand. Digital presence of organised players has adopted a customer-friendly

approach, fostering a personalised experience for customers exploring used cars on their platforms. The ability to deliver a customer experience of quality by virtue of the Phygital model remains a driving factor. From the graph above, we notice the improved and growing demand for used cars against new car ratio in India. It is anticipated to touch the 2-year mark by the end of the decade.

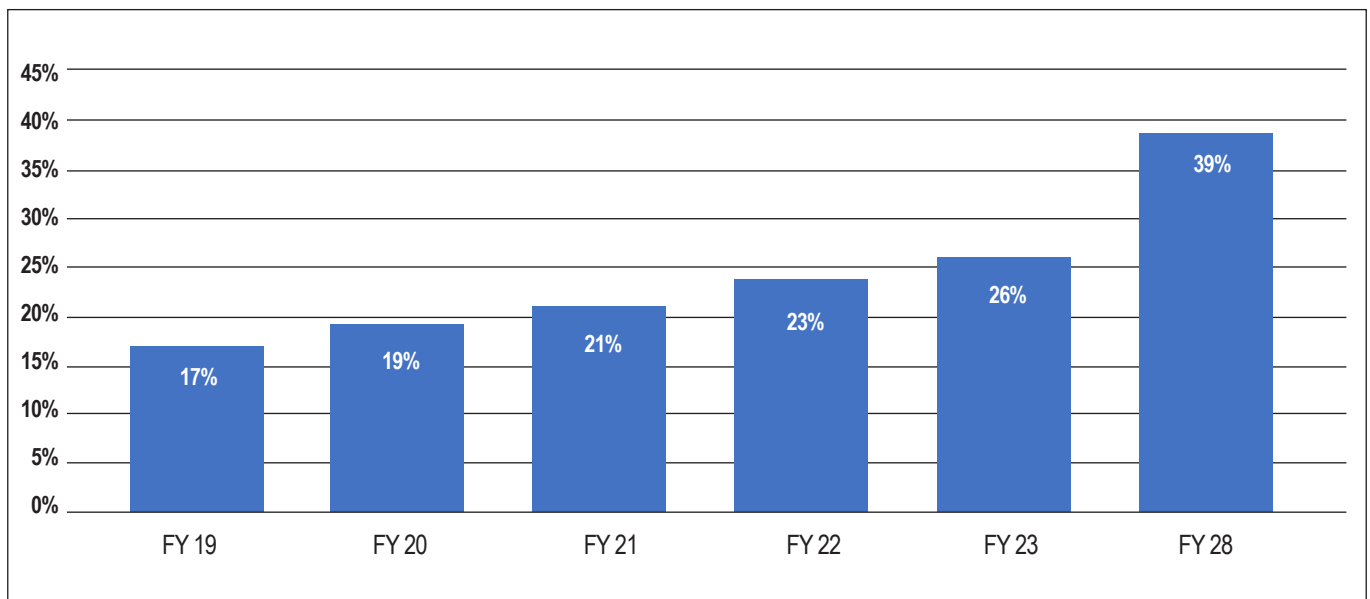
**COSTLY NEW CARS:**

Consumer preferences are very versatile. Even the slightest change instigates new customer preference. Indian markets are known for being price sensitive, therefore, the GST of 28% levied on many new cars and exorbitant initial insurance and maintenance costs, coupled with registration fee, render ownership cost very high. Many Original Equipment Manufacturers (OEMs) pin blame on the government regulations for the slow growth. In India, the growth of the new car industry has come down to about 3% from 12%. All these factors trickle down to looking for a new alternative: exploring a used car.

**EASY FINANCING:**

What has rendered the decision to buy a used car in India easier is the growing popularity of financing in relation to the pre-owned vehicles. Consequently, research demonstrates that the average easy monthly installments (EMI's) range from INR 10,000 to 15,000. The emergence of the used car market has meant that owning a car is no more elitist. Easy and affordable financing has ensured that buying a used car is a thing for the common masses. Financing option while buying cars is more with the organised players, and we have seen a steady growth in buyers opting for the financing option from 17% in FY 19 to 26% in FY 23, and it is projected to rise to 40% by FY 2028

**Buyers Opting for Financing**



Source: car&bike Analysis

**VALUE:**

The revised government regulations in relation to GST applicable on used cars, which is less than GST applicable on brand-new cars, have also injected a fresh boost to the used car industry in India. For the smaller segment of cars, the GST levied is 12%, while for the cars whose CC exceeds 1500, it is 18%. Additionally, the percentage of depreciation of used cars is much slower in comparison to new cars, thus making a strong case for good resale value. Needless to say, the insurance premium for new cars is also very high. Depreciation of any new car bought in the first phase is about 20% to 25% post purchase.

**REDUCED OWNERSHIP PERIOD:**

The Indian consumers' preferences and habits keep changing at a galloping pace. Perhaps this is why ownership periods have significantly reduced over the last few years. Not long ago, the average ownership period was about 6-7 years, which has come down to about 3.5 years now. This has significantly increased the supply of quality used cars in the market.

**SCRAPPAGE POLICY:**

India's Ministry of Road Transport and Highways issues regulations from time to time to promote professionalism and ensure transparency during the car buying and selling process. All MoRTH regulations are keenly followed by the used car market players, especially those related to the scrappage policy. Besides transparency and smooth transactions, these regulations also promote a legal and ethical way of buying and selling vehicles. With issuance of authorisation certification to dealers through the online portal, the process has become more professional than before. Such a system has positively impacted the used car industry while also encouraging prospective consumers to place faith and trust in organised players as they strictly follow and abide by the MoRTH regulations.

Fresh scrappage policies result in boosting the demand and supply of used cars. For instance, if the scrappage age of a diesel car is 10 years, the overall value of the said car witnesses a sudden and drastic drop the moment it reaches anywhere close to its scrappage age. As a result, the car owners are most likely inclined to sell off their cars between 3- to 5-year periods with the aim to receive the best possible purchase value.

**PHYGITAL JOURNEY**

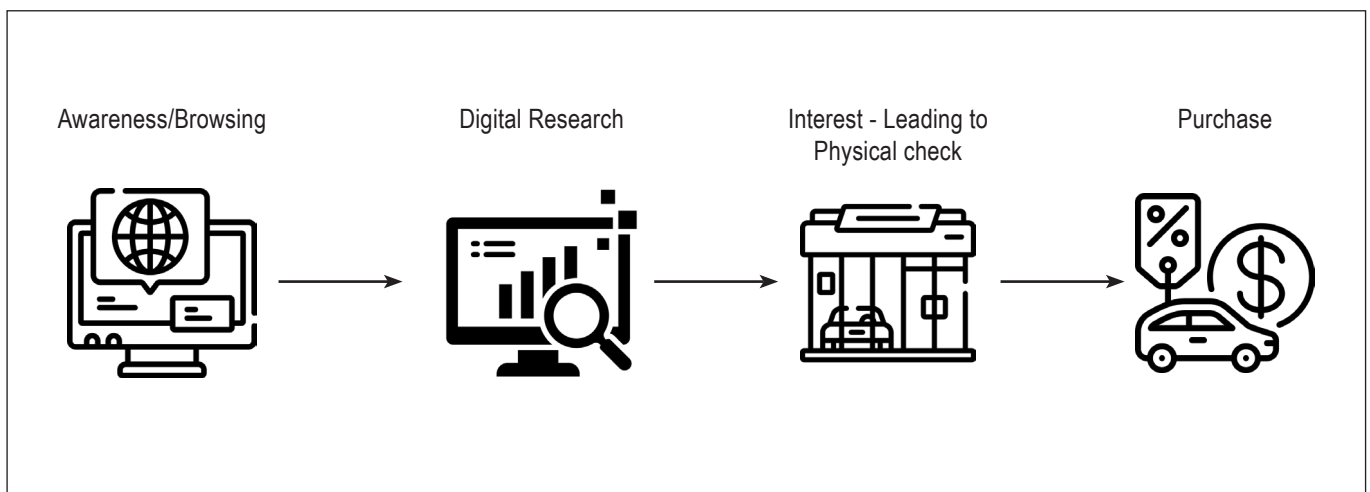
It is no secret that there is a visible shift in the buying/ selling process, as more and more consumers are attracted to phygital and digital experiences than physical. From the point of view of the business value chain, the journey of the car with respect to the company is also experiencing a transition of sorts to phygital. It won't be an exaggeration to say that in future the entire process and experience could become solely digital as well. The two C's (Customers and Companies) will prefer going digital in the near future.

## ORGANISED PLAYERS' JOURNEY:

The customer journey consists of awareness, research and self-exploration, a visit to the organised player, insurance, interest, a visit to the dealer, test drive, negotiation, documentation and finally the transaction.

- **Awareness:** Model and price comparisons, internet browsing (Google/ YouTube), discussion within the family and with friends.
- **Research and exploration:** Model and price comparisons on web
- **Visiting organised players:** Mahindra First Choice, Volkswagen Das WaltAuto, Maruti True Value, Car Dekho, book a test drive and consult a mechanic, documentation, insurance, finance options
- **Interest:** Visiting the dealership and test drive, prices and consultation, documentation, finance
- **Pavment/ Transaction:** Neqotiate. make payment

### Used Car Purchasing Journey

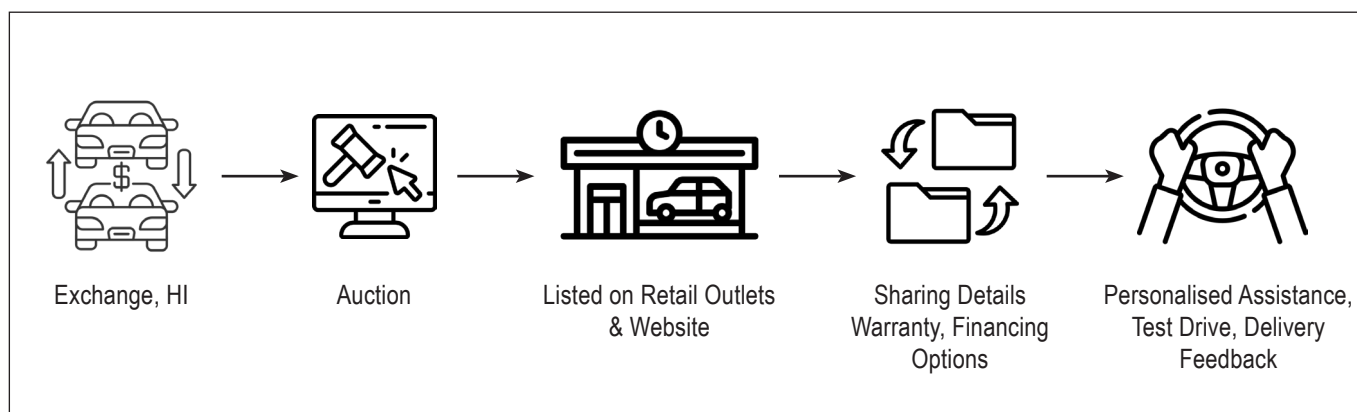


Source: car&bike Analysis

## COMPANY'S LENS:

From the company's perspective, there is an additional comfort being provided through the advent of Artificial Intelligence (AI) at the last stage of customer intervention. The use of AI offers personalisation and assists customers at regular intervals besides gathering vital data in relation to consumer preferences for the company.

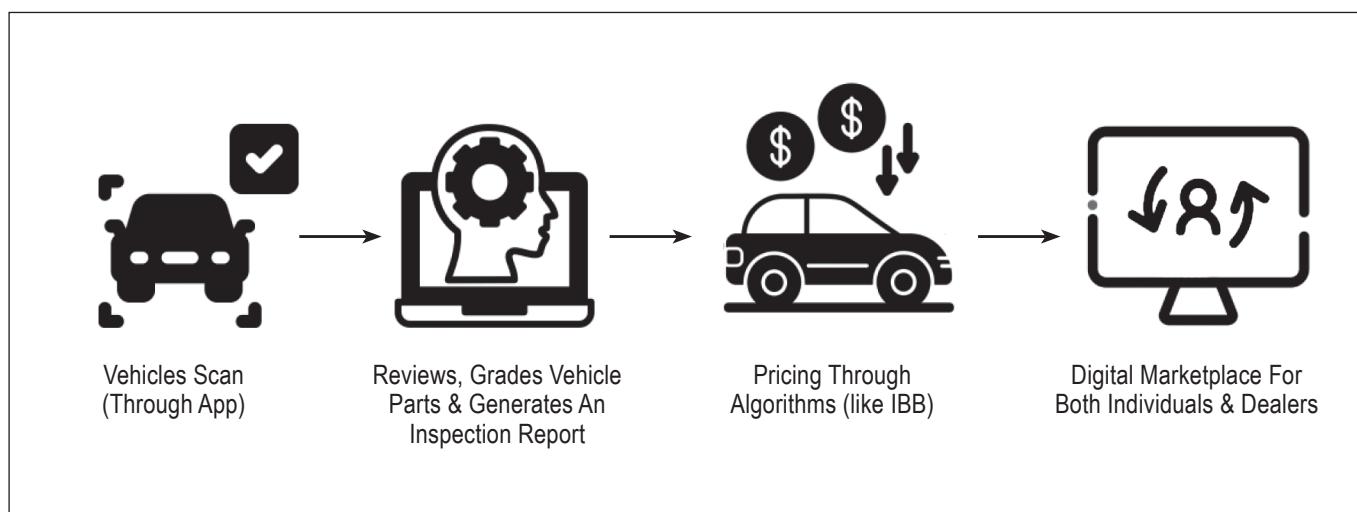
### Used Car Journey: From the Lens of a Company



Source: car&bike Analysis

From the company’s lens, the efficiency of inspections can be further improved by the app-based AI inspection tool. Generating a damage report would be more than handy for the prospective buyer.

### Future Journeys: from the Lens of a Company



Source: car&bike Analysis

## EVOLUTION OF CONSUMER PREFERENCE

Consumer preferences in India have evolved over the years while a clear shift has also been seen in the buying pattern of consumers. Traditionally, the Indian market is known for being conscious about the cost. The picture is not the same anymore. Earlier, from a consumer’s perspective, the debate was more about the cost of the car versus the mileage. Research studies demonstrate that the average consumers over the recent years have started considering other key factors, including quality of the product (62%) and vehicle features (48%). Product quality closely resonates with safety issues, a crucial factor in India. Moreover, consumers look at safety features – 5 stars of high NCAP rating cars or brands. There has also been an increasing demand for high safety cars in India. Existing vehicle owners tend to upgrade if their car rating is on the lower side. This trickles down to the increasing demand for high NCAP rated cars, both in the used and new car market.

Brands that have consistently received \*5-star NCAP ratings are ranked below. Currently, not only has the consumers' outlook of segmentation changed, but consumers also look at safety as a segment. They opt to buy a car from brands that have high NCAP rating.

**Safest Cars: NCAP Rating with Adult Occupant Score of 5 Stars**

- |                             |                              |
|-----------------------------|------------------------------|
| <b>1. Tata Harrier</b>      | <b>8. Mahindra Scorpio-N</b> |
| <b>2. Tata Safari</b>       | <b>9. Tata Punch</b>         |
| <b>3. Volkswagen Virtus</b> | <b>10. Mahindra XUV300</b>   |
| <b>4. Skoda Slavia</b>      | <b>11. Tata Altroz</b>       |
| <b>5. Skoda Kushaq</b>      | <b>12. Tata Nexon</b>        |
| <b>6. Volkswagen Taigun</b> | <b>13. Mahindra XUV700</b>   |
| <b>7. Hyundai Verna</b>     |                              |

Source: Global ncap.org

**COMPETITIVE LANDSCAPE**

**Major Players in the Used Car Market:** The major players in the organised sector in the used car market can be looked at as online/ phygital focussed and offline focussed players.

**Offline Dominant (OEM Backed)**



Source: car&bike Analysis

**Online Dominant (Tech Start-Ups)**



Source: car&bike Analysis

In the organised sector, OEM-backed companies have offline presence. On the other hand, there have been valuable additions to the online space with the emergence of new-age tech start-ups. Many tech start-ups focus on AI-based platforms to enable buying/ selling.

**Competitive Advantages:** In the organised sector of the used car market, different types of companies have a variety of competitive advantages based on their business models, vision and ownership.

**OEM-BACKED COMPANIES:**

The used car players that have come through OEMs like True Value, Mahindra First Choice, DWA, Hyundai H Promise, etc. possess similar competitive advantages. All these OEM's have pan-India

presence through their new car showrooms which help them to have a massive network and a wide reach for their used car business. There is brand equity and trust built among consumers, enabling OEMs to leverage this and attract more consumers. In the used car business, especially the organised sector, it is vital to have financing partners, insurance partners, and warranty providers as well. This is what sets them apart from the unorganised sector. Being an OEM-backed company, they leverage the existing partnerships with banks/NBFCs for loans, insurance partnerships, service and warranty offerings.

The used car market has always faced a problem in relation to the supply of cars. OEM-backed companies receive a constant supply of cars. Most OEMs accept the exchange of old cars when consumers purchase a new car. This acts as a constant sourcing channel for these companies. Pan-India presence, trust from customers, affiliations with key auto financiers and insurance companies, and sourcing are the core features of OEM-backed companies.

New-age start-ups such as Car Dekho, Spinny, Droom, Car Trade, car&bike, etc. are all similar in that all of them have a robust digital presence. With ever changing consumer preferences and journeys from in-store visits to phygital, these tech start-ups enjoy the upper hand in capturing consumers.

#### **UNIQUE OFFERS:**

The prime focus of these tech start-ups remains on customer acquisition. It digitally ensures streamlining of the entire process and making the experience hassle-free.

#### **MAJOR ATTRACTIONS:**

- 5-day money back guarantee
- Instant car purchase through doorstep delivery by making instant payment

These start-ups have disrupted the space through deep digitisation. By streamlining the entire process, they continue to benefit from existing technology and keep upgrading it constantly for better customer experience and smooth business operations. This competitive advantage of being a used car auto tech start-up has affected the business. According to Spinny, the company witnessed a whopping 44% increase in online purchases in the second financial quarter. This is due to various reasons. The first being the COVID-19 pandemic followed by ease of purchase through online mode facilitated by these start-ups and the transparency coupled with existing services being offered.

#### **ASSET LIGHT MODEL:**

Some of the tech-based start-ups function as an Asset Light model. One example is that of Car Trade Tech Ltd. Its business approach largely revolves around classifieds and advertisements. It looks to grow in the digital automotive market. Car Trade has a franchise-led approach for used cars retail, which again focuses on being Asset Light. It has great potential to become the future of used car retailing, as the doubts remain regarding the unit economics being viable in the Asset Heavy model.

It trickles down to improving various financial parameters. Being Asset Light generates cash flow for inorganic investments in the business. Car Trade has achieved that by working on the franchise model. It has intelligently used cash flows and acquired Carwale, SAMIL, etc.

## CHALLENGES AND OPPORTUNITIES

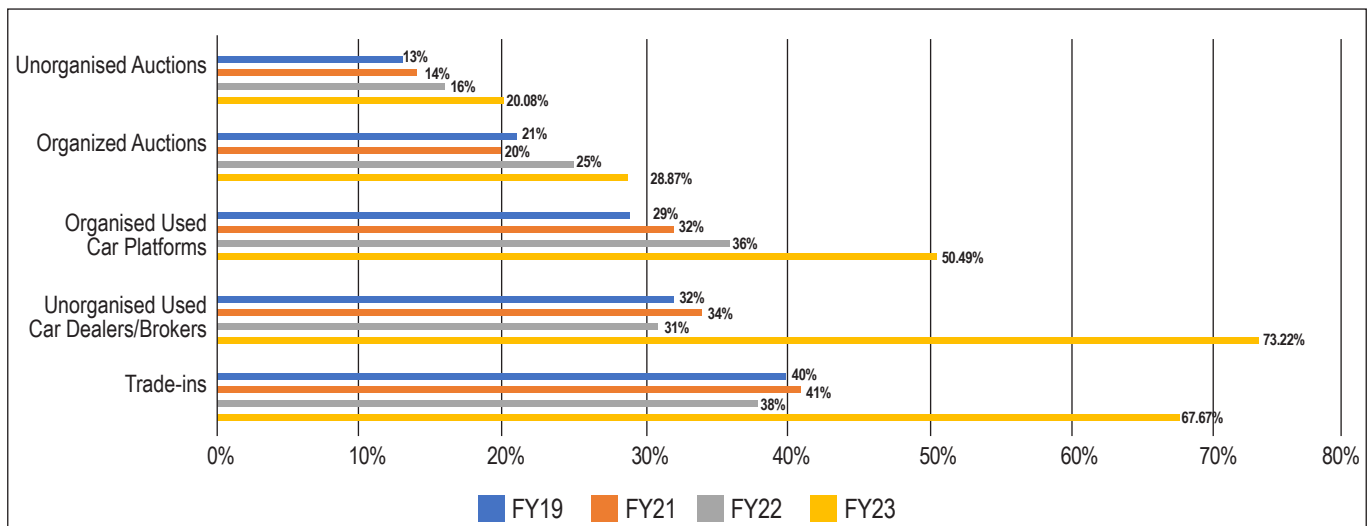
Though there is a rise of the organised players in the used car market, it continues to be dominated by the unorganised sector. Undoubtedly, the used car market in India is primarily driven by the unorganised sector. According to a report by car&bike, the unorganised sector accounts for a share of over 45%, with customer-to-customer transactions having a share of about 35%, leaving only about 20% for the unorganised sector. That said, the used car market is waiting to be tapped by organised players and this industry is anticipated to grow at a faster clip than the new car segment.

Technology will play a key role, as it paves the way for a number of channels to expand their reach while online listing platforms are making it much easier for the unorganised sector, including the brokers who have close partnerships with multiple dealers. Online listing platforms like Facebook Marketplace, OLX and WhatsApp groups have helped brokers to widen their reach and connect directly with masses. Many customers, therefore, do prefer engaging with unorganised players as they are sensitive to prices. The unorganised players do not worry about warranty, certification and factors like brand equity. They take advantage by listing cars at lower prices. As a result, many customers are lured.

### SUPPLY OF CARS:

Used car players face the pressure of maintaining a supply of used cars in accordance with project demands of car types of models. The supply of used cars becomes challenging because it is not just about the availability of used cars, but the availability of good quality cars within the range of 4-6 years. Cars below the age of 4 years are under warranty and are, therefore, less likely to be sold by consumers. Similarly, cars above 10 years are close to the scrappage age and the resale value is bare minimum.

### Procurement Channels



Source: car&bike Analysis



Earlier, dealers were dependent on a single procurement channel, but now they have expanded their procurement channels having either 2 or 3. The graph above clearly shows dealers having multiple sourcing channels. Interestingly, unorganised used car dealers/brokers as procurement channel have increased to a whopping 73% from 31% in the last FY.

### **OPPORTUNITIES:**

Recent research studies show that India's used car market will register a Compound Annual Growth Rate (CAGR) of nearly 18% in the next 9 years. The market size by the end of 2023 is anticipated to reach a valuation of \$43.05 billion. In the next 9 years, by 2032, the valuation is estimated to reach a whopping \$139 billion. This will be made possible due to rising incomes, a shift in customer preferences as far as owning a car is concerned, and the availability of multiple financing options for purchasing pre-owned cars. In India, the used car market is eye-catching, and the industry is expected to witness continued growth in coming years, primarily due to the growing demand for affordable and reliable transport options.

### **GROWING DIGITAL RETAILING:**

In India, new car dealers retail only about 3-5% of the country's used car versus a mammoth 33% in the United States. This clearly depicts that the new car dealers have not exploited their assets to their full potential, which is leveraging existing infrastructure and investing in tech-driven initiatives.

### **SYNERGY WITH DEALERS:**

Synergies across different sectors have often proved successful and a much-needed boost to the industry. A classic example of a synergy in India is the collaboration between the organised and unorganised players and how this has benefited all involved stakeholders. It has been made possible through e-commerce. Giants such as Amazon and Flipkart – which were initially seen as direct competitors of Kirana (provisional) stores – have intelligently partnered with their competitors to store and deliver products. This has resulted in additional income to shop owners. In a similar fashion, something productive can be worked out in the used car sector that could bring about a shift and even attract the fence-sitting buyers to try used cars. Synergy can happen in terms of certification, servicing, leads, etc.

### **CONSUMER ANALYSIS:**

With a rising middle-class, India's demographic dividend (young population) is going to be a key factor driving massive growth of the used car industry over the next five years or so. Another positive feature has been a steady rise in India's disposable income. Today's customers are techn-driven, prefer transparency, convenience, smooth transaction and simplicity in processes such as documentation, certification, warranty, etc.



# SECTION 2

## VALUE-ADDED SERVICES

Fifteen years ago, it would have been considered bizarre to think about financial institutions financing used cars. As of today, the scenario in this relation is different and encouraging in more ways than one. Leading banks and Non-Banking Financial Companies (NBFCs) are financing used cars in India, primarily due to rising demand for used vehicles. Major financial institutions have recognised that it could be a great source of income generation. Over the last few years, the act of financing used cars has gained popularity, as it even covers Tier-III cities. This highlights the penetration.

In India, car financing has become a viable solution for many, as data reveals that every 6 in 10 customers prefer financing their cars. Another encouraging sign is the average Equated Monthly Installments (EMI) ranging from INR 10,500 to INR 11,500, and tenure up to six years. One of the striking features is reshaping the car ownership landscape. In India's Tier-II and Tier-III cities, about 75% of customers are opting for the convenience of car financing. This is a very encouraging trend for sure. In Tier-I cities, the percentage in this relation is about 60%. Those opting for car financing in India fall in the average age group of 32 years. These prospective customers include working millennials, promising entrepreneurs, and salaried employees. Again, this trend is significant in myriad ways as India's growing middle-class population remains the driving force. Their rising incomes and socio-economic status, a growing preference for personal mobility and other factors like the pleasure of owning a car cannot be ignored.

Indeed, it is a value-added service that never existed before. Financing has given an injection of fresh energy and boost to the used car industry. More importantly, some NBFCs offer zero down payment schemes. Loans for used cars start at about 10%, which is higher than loan percentages for new cars. In this, a lot depends on key factors such as credit history, vehicle type, etc. Obviously, there is a greater push by financial institutions towards loans for pre-owned cars, as there are special offerings like home top up loans wherein the customers can avail much bigger loan values.

## WARRANTY

All brand-new vehicles come with manufacturer's warranty. It is also transferable to the second or third owner if it falls under the warranty period. Hence, it is not relevant to the used cars' segment. Warranties are provided only by the organised players. If we were to buy cars from local dealers, it'd be a word-of-mouth warranty that cannot be relied upon.

One of the main USP's of organised players in the used car market is the warranties that they offer. Warranties not only provide peace of mind to car owners, but also play a key role

during the resale of the car. Cars with warranty depict that the vehicle is in a good condition and well maintained, as both factors help car owners fetch a higher price during resale. It is always fruitful to carefully read the warranties and terms and conditions.

## TIPS TO ENHANCE RESALE VALUE

### COLOUR:

At the outset, choosing the right vehicle is paramount. When it comes to choosing the colour of your car, it is always a good idea to go for plain colours such as white, black and grey. These colours have a magnetic attraction.

### MAINTENANCE:

In terms of interior and exterior of the car, maintenance holds the key. The mantra is regular maintenance of your vehicle, including changing engine oil at regular intervals and strictly following manufacturers' maintenance schedule. Additionally, buying extended warranties from the OEMs is not a bad idea.

### RECORDS:

It is advisable to preserve the service record books as they are considered a valid proof of the service history of the vehicle.

### REPAIRS:

Never ignore minor repairs and keep your car in a perfect condition. Moreover, it is important to replace worn and damaged parts, because prolonged use of damaged/ worn-out parts will adversely impact the condition of the vehicle.

### SERVICE:

It is ideal to replace damaged and worn-out parts with genuine parts only. The key is to stick to the official service centre for both service and repairs, since they provide warranty and do not fiddle with the vehicle parts.

## FACTORS IMPACTING RESALE VALUE

The resale value of a used car is determined by multiple parameters, and it varies from region to region. Here are some of the key factors that adversely impact the resale value of a pre-owned vehicle.

### AGE OF THE CAR:

In many ways, age of the car determines the price of a pre-owned car. Depreciation happens based on the model, variant and supply-demand factor in the region. The scrapping age of every car is in accordance with the MoRTH regulations. For instance, the scrapping age of petrol cars in India's capital New Delhi is 15 years while it is 10 years for diesel cars. Obviously, the resale value starts depreciating at a faster rate as the car nears its scrapping age. It is comparable to depreciation of the value for new cars in the first few years after purchase.

**MILEAGE:**

Number of miles travelled by a car is a crucial factor. Mileage is seen on the car's odometer, an instrument for measuring the distance travelled by a wheeled vehicle. If your car's mileage is more, the vehicle will be sold for less. On the contrary, the lesser the mileage the bigger the value.

**INSURANCE:**

There should be no compromise when it comes to insuring your car. As customers go for buying a used car, it is good to have your car insured to avoid the hassle. Even if the car's insurance is closer to expiry date, it somehow affects the residual value of the used car.

**OWNERSHIP FREQUENCY:**

Ownership frequency is another important factor that determines the resale value of the pre-owned vehicle. Each time a car changes hands, the value decreases. It is obvious that there is the possibility of additional wear and tear when the car is operated by a different set of owners. Let's take an example where we have two cars of the same model. One of the two has had two owners and the other one has had only a single owner; it is obvious that the car with a single owner would fetch a much better resale value. This is not the sole deciding factor, though.

**CONDITION:**

A well-maintained car will always attract a good resale value. There are multiple parameters to certify this. Timely changes in engine oil, oil filter, gear oil, etc. hold the key along with timely overhaul servicing of the car.

**OTHER FACTORS:**

Some of the additional factors include proper documentation of the car with respect to its make, model, year of registration and extra features. Of late, many tech-based used car start-ups have used car vehicle estimators, which are a culmination of all the above factors. Additionally, they also have a robust database from where the reference is taken.

















**RESIDUAL VALUE - THE IBB PRICING ENGINE**

It is one of the most trusted vehicle price guides in India. What separates it from the rest is the data from multiple sources including lending banks, retail data of customers transacting in used cars, prices through auctions and other constant market inputs. This model has been built after studying over 4 million data points.

Using the IBB Pricing Engine segment wise, the cars with high residual value have been highlighted after considering the following assumptions:

- 1st owner
- Car driven < 30,000 km
- Manufacturing year 2021
- Service history available (from the showroom)
- Insurance done
- Region: Mumbai

### Residual Value Categorisation (Using the IBB Engine)

RESIDUAL VALUE				
Type of Car	Good Residual Value		Great Residual Value	
Hatchback	 Hyundai i20	 Suzuki Baleno	 Maruti Suzuki Swift	 Volkswagen Polo
Sedan	 Hundai Verna	 Honda City	 Swift Dzire	 Hundai Amaze
Compact SUV	 MG Hector	 Hundai Creta	 Volkswagen Taigun	 Tata Nexon
SUVs	 Toyota Innova	 Tata Harrier	 Toyota Fortuner	 Mahindra Scorpio

Source: car&bike Analysis

- Good residual value category are the cars having a residual value ranging from 78-81%.
- Great residual value category are the cars having a residual value > 81 %.

## DIGITAL DISRUPTION

It is a given that no industry is immune to digital disruption and technological innovation, the used car market being no exception. In India, the rise of online marketplace for used cars during the COVID-19 pandemic resulted in the rising demand for used cars due to multiple factors which included financial constraints. However, the safety of owning a private car was one of the major drivers. Consumers went to digital marketplaces to browse, study, draw a comparison of used cars and assess the possibility of finally purchasing one. Online sales drastically jumped in FY 2021 and a lot of tech-based used car start-ups made into the unicorn list with huge fundings. Indeed, digital marketplaces facilitate a hassle-

free customer experience, and the rise of e-commerce, has enhanced sales of used cars significantly as it reduced turn-around time (TAT). Lesser documentation also renders the entire buying process seamless and stress free.

### **BOOM OF SOCIAL MEDIA PLATFORMS:**

Latest studies suggest that social media is playing a vital role in assisting prospective buyers (of used cars) in their purchasing journey, as more than 71% of buyers benefit from various social media channels. Among the foremost platforms assisting buyers in this case are YouTube (41%), Facebook (37%), Instagram (21%) and X, formerly Twitter (13%). Social media platforms provide a wealth of information to prospective buyers, thereby aiding them in making informed choices about their purchase.

This also goes to show how much importance the organised players attach to social media platforms for information, advertisement and car selling process. It is obvious that modern day buyers are most likely to contact dealers before visiting them in-person at a store. The growing role of social media platforms can be further understood from the perspectives of companies and dealerships. Advertisements are specifically designed for social media platforms to attract attention of the prospective buyers who use social media for engagement. Social media channels play an important role in the entire journey of buying. Since there is no platform fee or any hidden charge to use social media platforms, it is the most convenient route to list the cars for sale.

The interface of the digital marketplace on Facebook is user-friendly both for the seller and the buyer with a variety of options to establish contact and other filters. It is a go-to place for both - unorganised and organised players. At times, there is also a challenge with regards to authenticity as there is a possibility of fraud, cheating or even fake buyers.

With marketplaces coming on social media and unhindered access to WhatsApp groups, the footfall in traditional dealerships has witnessed a fall. Sometimes, this could lead to reduction in sales. However, it also provides an opportunity to the traditional dealerships to evolve and list their cars on various social media groups/marketplaces or via brokers. This will result in greater traction.

Surveys conducted in India and abroad suggest that a majority of buyers still prefer a physical touch and feel of the car before purchasing a vehicle. Hence, it emphasises the fact that it is not all about the digital model in the used car business. Of all the buyers, about 61% still prefer test drives at convenient locations while 50% want to have a feel of the car at the dealership. That said, digital models are taking giant strides in specific areas of the buying process such as deal discovery, financing, research, comparisons etc. Research studies show that about 66% of the potential buyers prefer to get quotations and financing done through the digital mode only.

## TECHNOLOGIES SHAPING THE USED CAR MARKET:

Some of the major emerging technologies impacting the used car industry are Artificial Intelligence (AI) and Machine Learning (ML). Both technologies have the potential to enhance the industry outlook.

**Real Time Inspection Reports:** Detailed inspection reports are made readily available to the customers so that they match their requirements. These reports are about the car's body, engine, tyres, etc. The real time inspection report comes into play with physical inspection and AI inspection integration can be shown to the seller of the car during house inspection for the purpose of transparency.

### AI to Detect Vehicle Quality:

Quality detection is an important feature since it is a parameter used by pricing engines. AI supports accurate estimation of the quality and the condition of the vehicle.

### Pricing Engines:

Multiple pricing engines are currently available in the market, and they offer us a range of prices after entering certain parameters including manufacturer age, features, location, etc. This system has brought in a great amount of transparency in the system. With ML, engines can be trained to give more accurate information based on consumer preferences on web pages. This is where AI/ML comes more than handy when it comes to accuracy and estimates.

### Personalisation:

From a customer's point of view, personalisation is something that they prefer and desire. AI-based chatbots on the digital platforms help us find out consumer preferences which, in turn, help the company make business-related decisions. AI chatbots have greatly reduced dependency on call centre agents for resolving problems. AI chatbots nudge consumers to purchase and filter out cars that are most likely to be their choice that automatically reduces TAT, and the precious time of a prospective buyer.

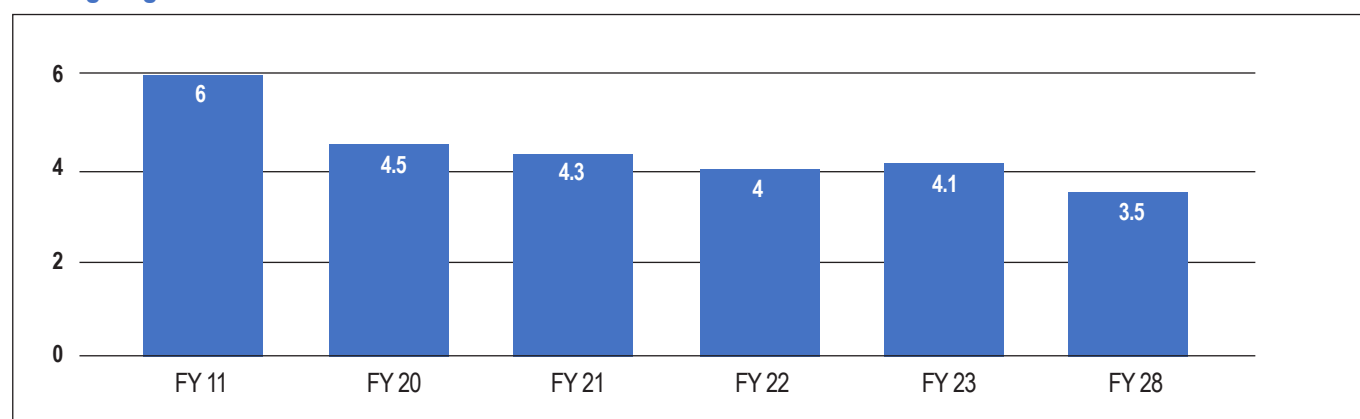


# SECTION 3

## TRENDS AND PREFERENCES

It is a well-established fact that the average age of the used car in India is decreasing, a good sign for all potential buyers. In simple terms, it means that, as a buyer, you get to drive and own a not-so-old car at an affordable price. Obviously, the Indian market for used cars is rising. Data shows that the average car age has reduced by over 33% in FY 2021-2022.

### Average Age of Used Cars in India Over the Years



Source: car&bike Analysis

According to a credible report, the average age of a used car in India is nearly 4 years currently, down from nearly 5 years in the previous financial year and significantly lower than 6 years on average a decade ago. A clear shift is being observed in Indian consumer's behaviour and buying pattern. Despite the odds and fears related to inflation, average Indian consumers are showing a willingness to buy a used car every 4 years.

As the trend shows, owners of used cars in India are expected to further reduce the time they hold on to their pre-owned vehicle to only 3.5 or maybe 3 years in the next 5 years. Another piece of good news is that the demand for pre-owned cars is witnessing a surge at a galloping pace in non-metros, partly due to the immense trust being placed in platforms and primarily because of the increasing consumer desire. In India, a car changes hands at least 5 times during its life cycle.

## MAJOR ATTRACTION

One of the main reasons why Indian consumers prefer a used car over a brand-new vehicle is the exorbitant price of a new car, slower depreciation of a used car, affordable and much reduced insurance costs coupled with an option to upgrade the car segment at a reasonable rate. In the Indian context, consumers opt for a used car because it is cost efficient and needs less maintenance. On the other hand, a brand-new car comes with updated technology and attractive features. In the end, it is also about an individual's personal preference, comfort and financial health.

## GROWING PREFERENCE FOR PHYGITAL MODE

Research studies demonstrate that among the young car buyers – which constitute a major share – 70% prefer purchasing cars via the phygital mode. Majority of these young buyers are male, but this trend is witnessing a positive change now. There has been a steady increase in the number of women buyers over the last few years.

Traditionally, the in-person interaction at dealerships has been an information gathering exercise for car customers. Notwithstanding the fact how tech start-ups aid in creating seamless digital journeys, the in-person purchase mode has no parallel when it comes to testing the technical abilities of a car or the much-awaited touch and feel factor.

Undeniably, there is a long history of purchasing used cars from unorganised dealerships. This has largely to do with the reputation and record maintained by sections of unorganised dealers and their relationship with select customers. However, customers are slowly placing trust in organised dealerships to purchase a car.

## CONSUMER BEHAVIOUR

If we draw a comparison between the purchase of a used car and a new car, the purchase of the former (a pre-owned vehicle) is a much faster and smoother process. In India, buying a car is always a big decision that usually involves close family members and trusted friends. Since buying a car (used or new) is an expensive affair, a lot of thinking takes place, and consumers prefer conducting thorough research to make their dream of buying a vehicle come true. Research studies show that due to factors like rise in per-capita income during the last two decades, there has been an increase in the car buying process.

In fact, it won't be an exaggeration to state that the number of first-time car buyers in India has skyrocketed. The decision to buy a used car depends on multiple factors, including the car model, type, price, etc. Research suggests that of all the used car buyers, about 94% use online platforms for preliminary research. A whopping 98% of used car buyers, who purchase from the organised sector do their research online, while about 90% of the used car buyers who purchase from unorganised dealers also benefit from online research.

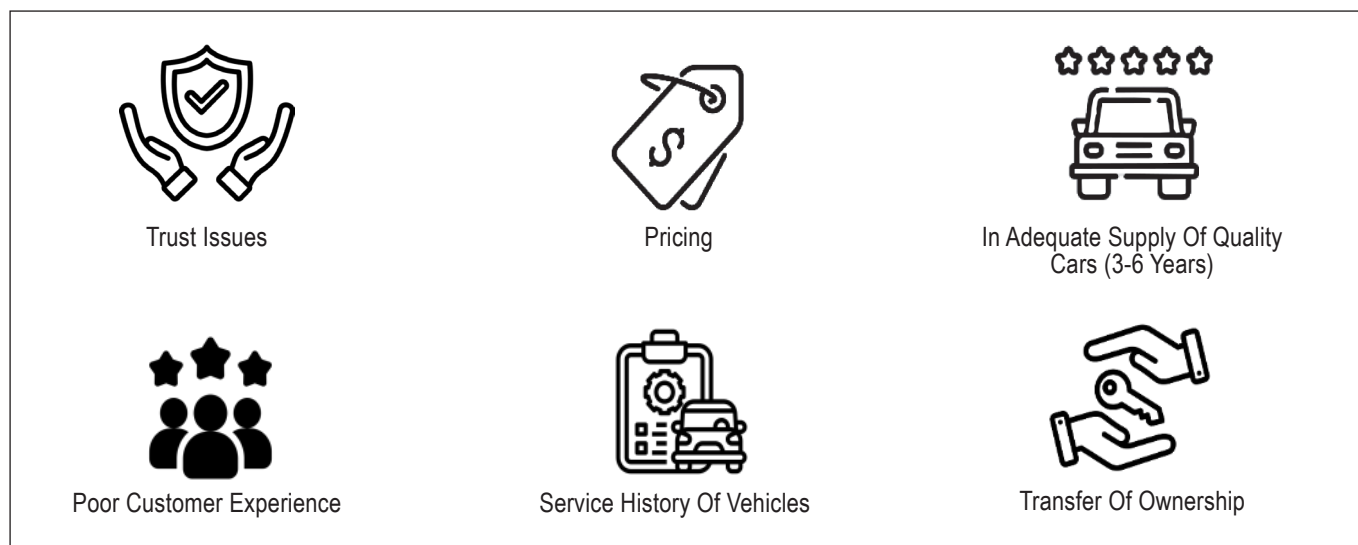
### A JUDICIOUS BLEND:

One of the main reasons why a digital journey of car purchase turns into phygital is due to the final step of validation that is offered by the presence of offline dealerships to a customer. In the used industry ecosystem, there is a judicious blend of online and offline platform experience. Customers enjoy and benefit from this co-existence as they want the best from both modes.

### PROBLEM AREAS:

A prospective customer faces some problems during the purchase journey. Some of the problem areas are as follows:

## Problems Customers Face During the Purchase Journey



Source: car&bike Analysis

### BIG DECISION:

Based on the information gathered via digital platforms, about 80% of car buyers make use of online videos (test drives, walkarounds and vlogs from auto experts) during the purchase journey. Interestingly, the online videos are emerging as disruptors for the Indian car industry as the watch time has surged by a whopping 225% in recent times. Growing inclination towards digital platforms to consume information has led to a 50% drop in offline touchpoints.

Digital platforms are influencing potential buyers in more ways than one. 90% of buyers conduct online research before they pay a visit to the showroom in person. Almost 72% of the buyers decide the brand of the car while approximately 50% of them close on the model even before visiting a dealership. Among the buyers, more than 50% of them use third-party comparison websites to dig for further information about various parameters that helps them narrow down on the car they finally want to drive.

### CHANGING MINDSETS:

Is it good to buy a second-hand car in India? Of course, yes. There is always a new car versus used car debate, as prospective buyers have to choose among hatchback, SUV, sedan and what not! Earlier, finding a quality used car through local dealers was quite a hassle. The entire process would be time-consuming, taking weeks or even months. Not anymore. With the growth of organised pre-owned car industry and professionalism in the used car market, the mindset of car customers in India is changing fast, for good.

### INFORMED CUSTOMERS, INFORMED CHOICES:

Traditionally, many consumers were dependent on local dealers, brokers, family members or acquaintances for buying used cars. At times, such patterns were vulnerable to fraud and cheating due to lack of exposure. However, with technological advancement and emergence of reliable organised players, the experience of car buying has become rewarding in many ways. Exposure has helped buyers enhance their knowledge. Their trust in online and organised platforms has also increased with time.

## **DIVERSIFIED CUSTOMERS:**

For some customers, comfort, enhanced socio-economic image and value for money are deciding factors to buy a car while for a different set of buyers, getting a car means an elevation of lifestyle. For them, it is often an upgrade from a two-wheeler to a four-wheeler. For another category of customers, buying a car is mostly about convenience, low maintenance, cost efficiency and ease in travel.

## **BUYER PERSONAS**

Buyers of used cars are not a homogeneous entity. Their choices and perspectives differ from the buyers of new cars. Here are some of the main highlights and differences

### **VALUE SEEKERS:**

They belong to a set of customers who can be described as value seekers. They are essentially junior management level employees with most of them unmarried. This category is budget conscious while eyeing the best deal possible. They are quite good at adapting, adjusting and willing to offer sacrifices with respect to certain features in the car or the condition of the car with the aim to get the best deal. Their monthly incomes range closer to INR 50,000. Often, these value seekers show interest in cars that offer higher mileage, as they prefer full value for money. Besides, they are not shy of going the C2C way instead of visiting dealerships to get a better price.

### **PRAGMATIC BUYERS:**

These buyers have the mindset to look for a car that is fuel efficient and reliable when it comes to short and long travels. A pragmatic buyer often makes informed choices by exploring multiple options on digital platforms. Our research study shows that practical buyers are a set of people that use the vehicle mostly for work purposes, etc. This category does not mind paying a little more money for a pre-owned car if the vehicle has striking features and is in a fairly good condition.

### **FAMILY BUYERS:**

This segment of car buyers generally looks for a family car with the aim of going on outings and long travels. For family buyers, one of the most important things includes car features such as spaciousness, safety (airbags, ABS, rear view camera, etc.). They are very keen on the quality of the car as they are purchasing it for family use. Even post purchase, they put in a lot of effort to keep the car in good condition.

### **LUXURY BUYERS:**

For this category, luxury and style matter a lot. Since people in this segment belong to higher socio-economic ladder, they need a car for their personal mobility, business needs and social gatherings. For them, the car adds a lot of grace and gravitas to their societal image, and they are often keen to showcase what they own. Some of the features that they look for in a car include sunroof, leather seats, matte colours besides other features. Obviously, they do not mind paying an extra premium if the car features are according to their choice.

## ENTHUSIASTS:

Buyers who fall in the enthusiast segment are generally those wanting to own different types of cars. They are inclined towards the quality of the car in terms of engine health, manual transmission, sports suspension, 4 WD, off-roading, ADS, etc. They look for famous discontinued models of cars – for instance, Ford Endeavour.

### Segment-Wise Brand Affinity

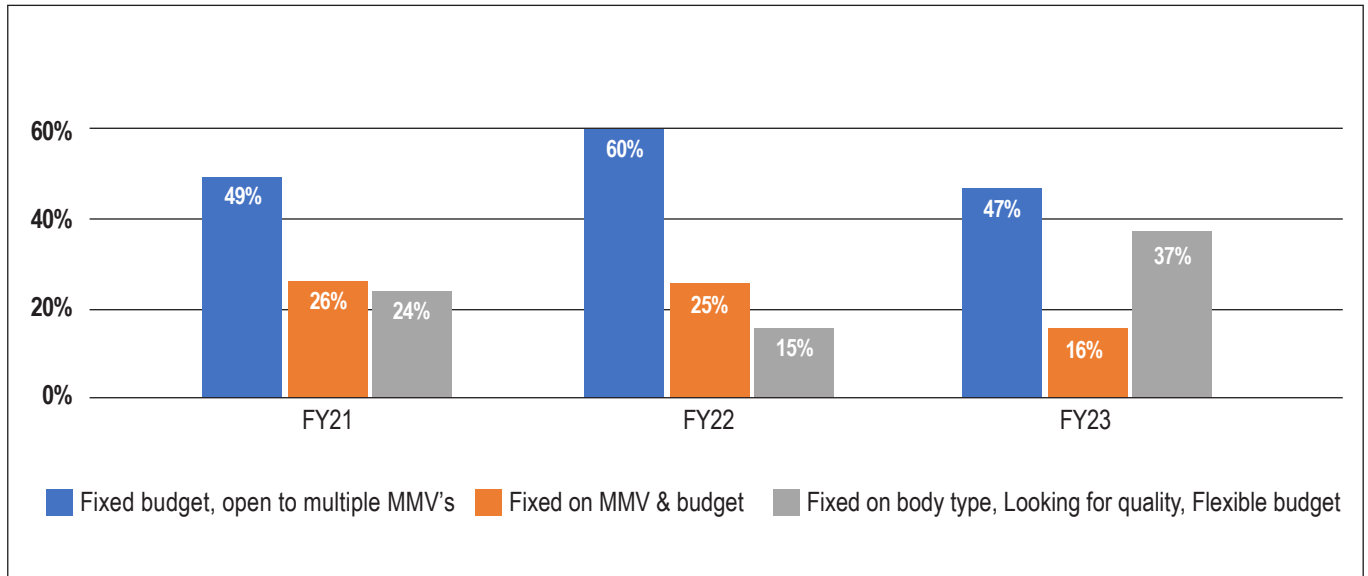
Value-Functional Entrants	Social Climbers	Quality Seekers	Loftier Individualists	Stylish Alphas
 <b>Wagon R</b>	 <b>Wagon R</b>	 <b>Swift / Dzire</b>	 <b>i20</b>	 <b>Creta</b>
 <b>Alto</b>	 <b>Swift / Dzire</b>	 <b>Honda City / Amaze</b>	 <b>Hyundai Verna</b>	 <b>Kia</b>
	 <b>New Santro</b>	 <b>Scorpio</b>	 <b>Baleno</b>	 <b>Honda Civic</b>
	 <b>Celerio</b>	 <b>i10</b>	 <b>VW Vento</b>	 <b>Hyundai Venue</b>
	<b>Other : i10/ Tiago / Kwid</b>	<b>Other : Etios / Xcent</b>	<b>Other : Nexon / Ecosports / Ertiga / Rapid</b>	<b>Other : Brezza / XUV500 Octavia / Skoda Superb / CRV</b>

Source: car&bike Analysis

## FACTORS INFLUENCING CONSUMER PREFERENCES

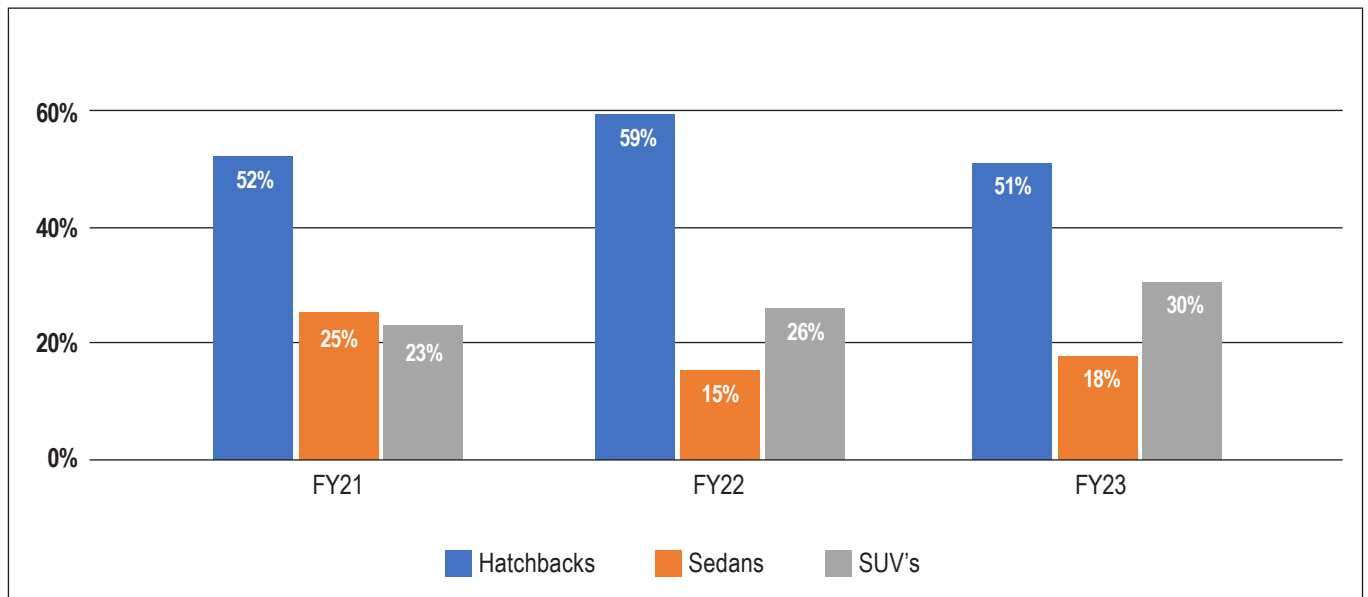
Over the years, the number of price conscious buyers has been on the rise, but there is a shift. Some consumers decide their budget based on the quality and the type of the vehicle. This shows how well informed the consumers are and how much importance is attached to exhaustive research in relation to the cars. About 47% of used car buyers have a fixed budget and are open to multiple MMV's. On the contrary, 16% of the respondents are fixed on their budget and have already narrowed down on the MMV. During their purchase journey, they do not look at different models, as they have more or less made up their mind to purchase a particular model. Moreover, 37% of buyers are flexible on budget and MMV, but are looking for only quality cars.

## How Budget Affects the Actions of Buyers



Source: car&bike Analysis

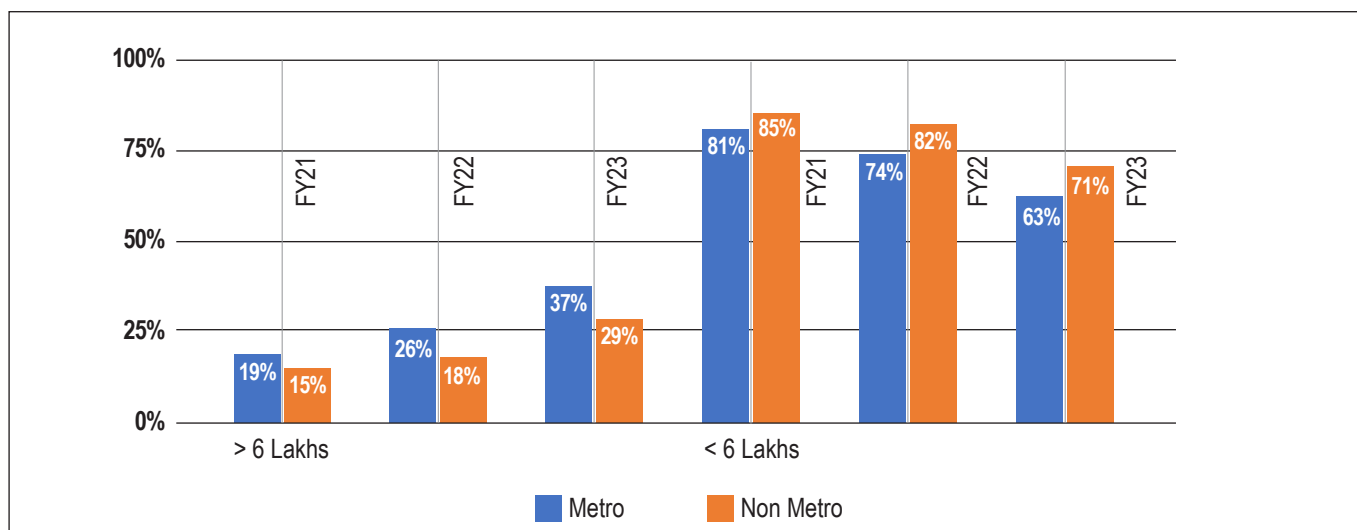
## Segment-Wise Cars Purchased



Source: car&bike Analysis

Over the years, the study shows that used car buyers have fondly preferred hatchbacks. It witnessed a peak in FY 2022 with 59%, though it has dropped to 51% in FY 2023. This drop in percentage is primarily due to various affordable options available in SUVs and sedans. Besides, the aspiring buyers look for better options while pushing their budgets a bit. The cost of entry-level used hatchbacks has increased, causing a trickling effect on the rise in other segments. That is perhaps why we see a spike in the sedan segment from FY 2022 (15%) to FY 2023 (18.5%). Shift of consumer preference away from hatchback is seen in used car as well. SUVs share has increased by 4.4%. A similar trend is seen in new cars space as well, wherein SUVs contribute to 43% in FY 23, while in FY 19 SUVs had a share of 19%.

### Vehicle Value (Metro vs Non Metro)

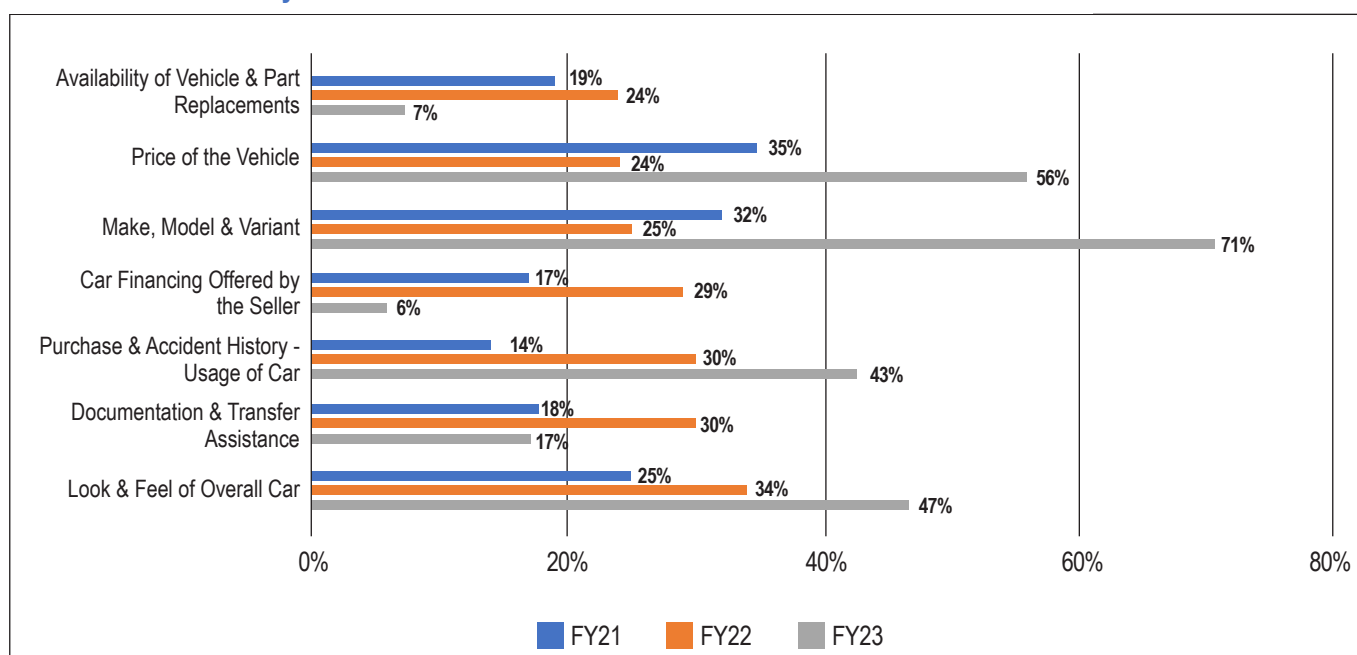


Source: car&bike Analysis

From FY 2011 to FY 2023, there has been a consistent increase in buyers moving from mass market cars to semi-premium cars in both - metro as well as non-metro cities. This has become possible due to higher purchasing power, growing and evolving aspiration, availability and accessibility to the cars. For metro and non-metro cities, sales of used cars < 6 lakhs have been dropping. The number of first-time car buyers has also come down over the years, indicating maturity of the prospective buyer. We can also draw insights from the above graph that the used car prices are on a constant rise and buyers aren't shy of being flexible with their budgets.

Buyers have been using digital platforms on a wider scale to book test drives and to compare different cars. Some of the vital considerations on top of a buyer's mind during the purchase journey include make, model, variant, price, purchase, history of accidents and look and feel of the car in descending order, as is shown in the graph below:

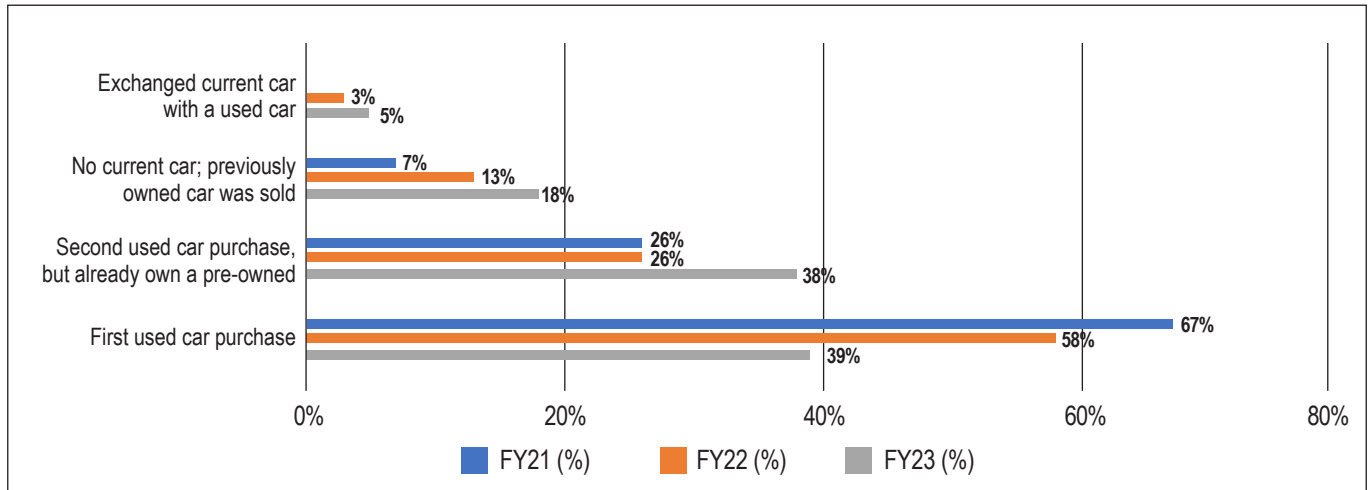
### Considerations of Buyers



Source: car&bike Analysis

Customers in recent times have become more informed through the content they consume through digital mediums, about MMV's and technicalities of cars, as we can see 71% of buyers feel MMV being a topmost consideration.

### Facets of Indian Used Car Buyers

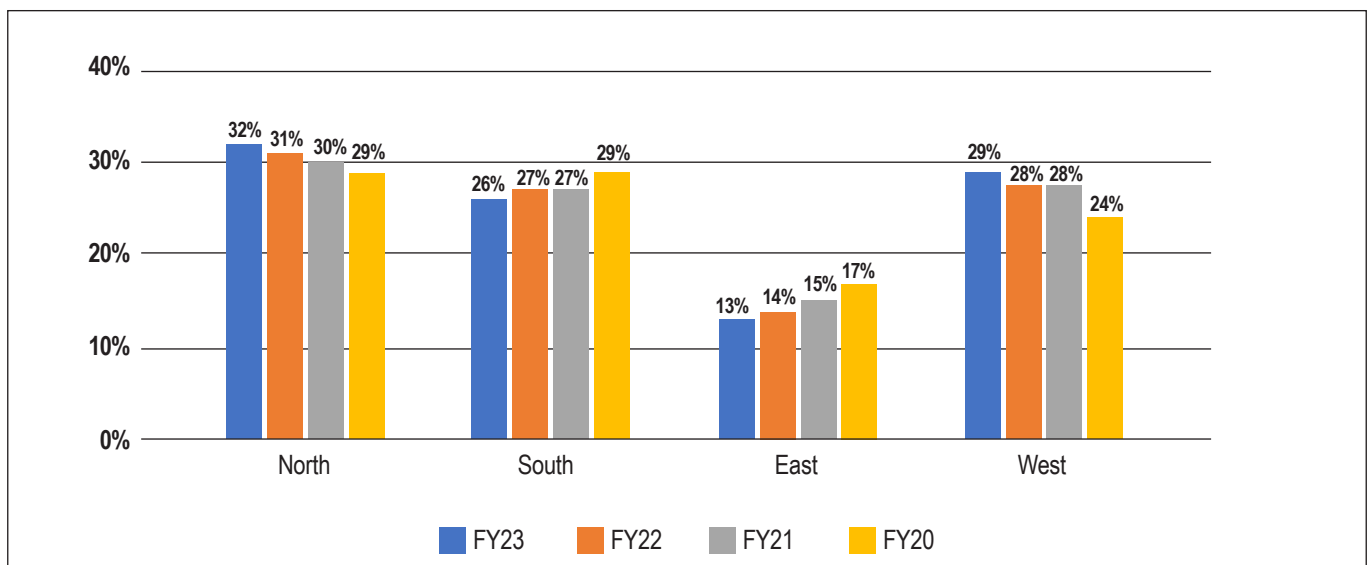


Source: car&bike Analysis

As the industry is maturing, we are seeing many repeat buyers who are satisfied with their previous purchase of used cars and are coming back to upgrade their cars.

Apart from a rapid increase in digitalisation, the importance of personal mobility has also fuelled a demand for used car platforms, allowing 67% of first-time car buyers to purchase a vehicle in FY 2023. Car ownership has been on the rise, especially in non-metro cities, which are witnessing a higher growth rate. More and more buyers want to trade their old cars for another used vehicle. Therefore, it becomes important for used car platforms to have attractive exchange offers for prospective buyers. There are a significant number of buyers who already own a used car and are looking forward to another purchase. This clearly shows their contentment over used cars. They have a lot of faith and confidence in the industry as well.

### Region Wise - Where Do Indians Buy Used Cars?

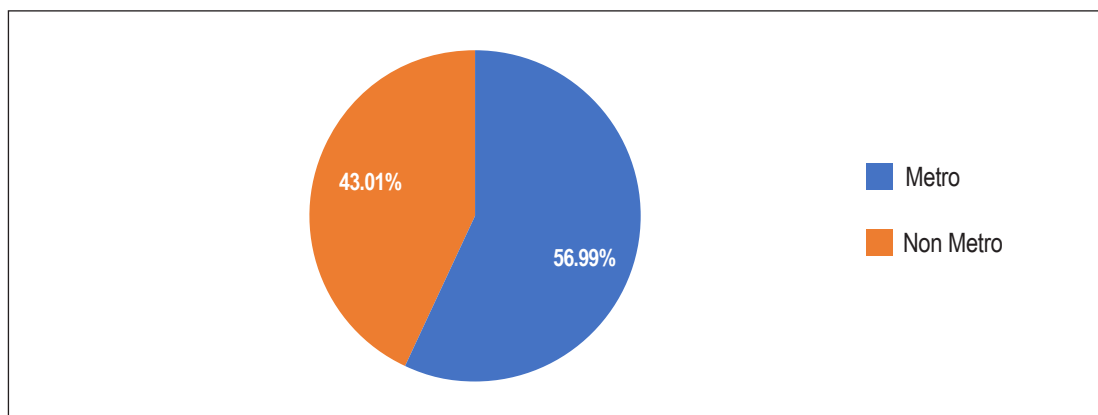


Source: car&bike Analysis



India's massive geographic size makes it almost impossible to have an equal supply and dealers' network across the country. India's regional geography, cultures, languages, tastes, economic statuses differ. The used car sales' volumes are not spread equally across the country's four zones (north, south, eastern and western). The biggest share remains with the North with 32% and it continues to witness an increase over the last few years. Going deeper into the North Zone, Delhi NCR (National Capital Region) is a significant contributor. Interestingly, there has been a constant growth in the west which stands at 29%, followed by south and east.

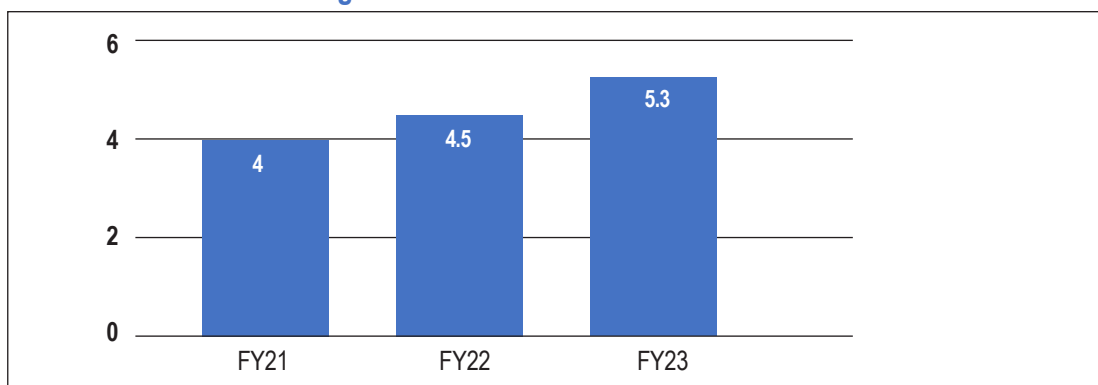
### Metro vs Non Metro Sales



Source: car&bike Analysis

The metro cities contribute a higher share which is about 56% of the total market.

### Used Car Prices are Rising



Source: car&bike Analysis

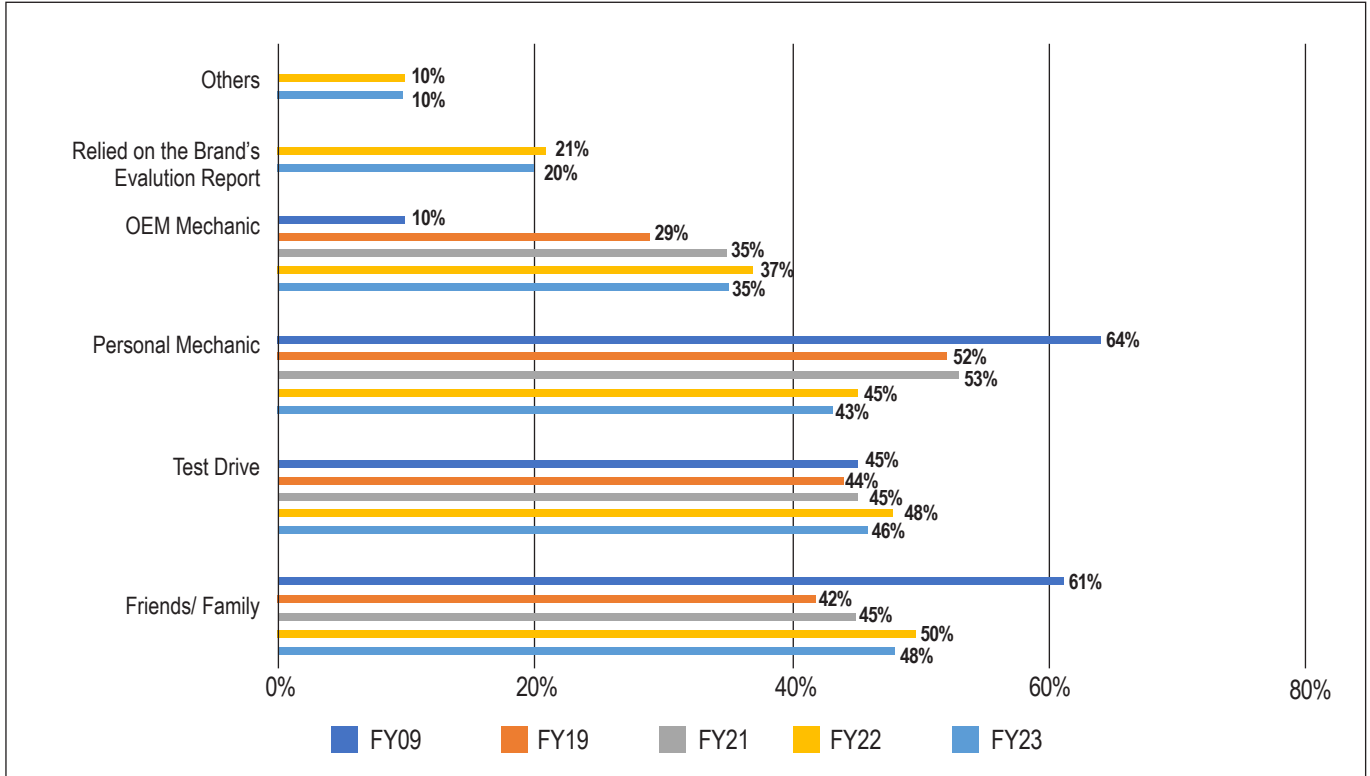
Used cars are now a thing for the masses with the assurance of certification and warranty. However, the prices for used cars have been constantly rising for the last few years due to supply issues and growing increase in demand. From FY 2021 to FY 2023, the average prices of used cars have risen by a whopping 30%.

## FACTORS DEFINING PURCHASE JOURNEY

Indeed, there is a shift in the purchase journey of Indian buyers with more and more preferring phygital interactions. During the journey, the key factors that influence a customer include close friends and family members, as 48% of the respondents felt their decisions were impacted or influenced by their friends and family. At least 43% of respondents feel personal mechanics and 35% of them describe OEM mechanics as their key influence.

Naturally, the influencing factors are varied. Prospective buyers take help from OEM mechanics and trusted local mechanics. This clearly demonstrates that there will be a growing trend of placing trust and faith in certified mechanics.

### Influencing Factors During Inspection Journey



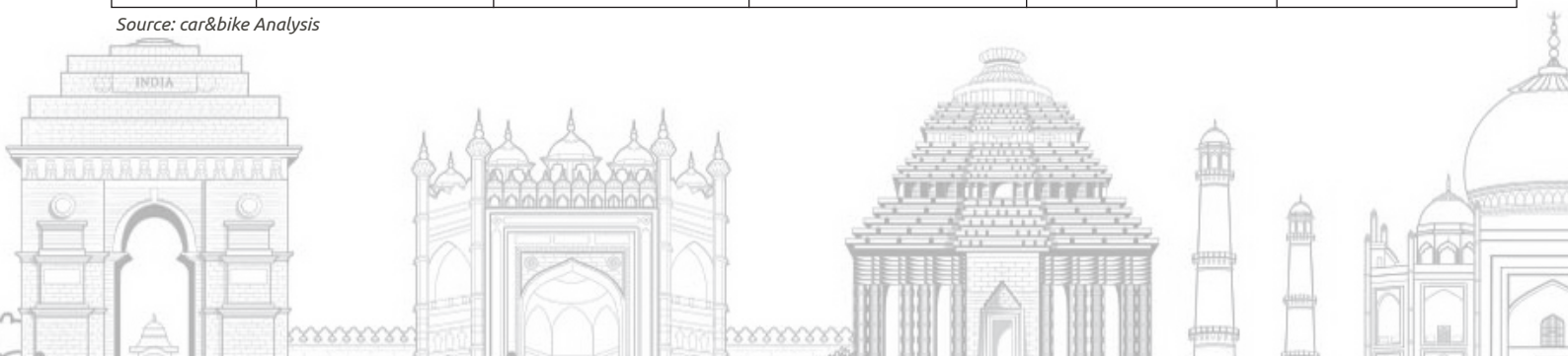
Source: car&bike Analysis

### Influential Factors for Buyers

Overall

Area	Choice of car make/ model			Budget & financial factors (Not commercial matters)			Choice of colour			Choice of accessories			Technical matters related to the car		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
<b>Influencers</b>															
<b>Family</b>	54%	29%	61%	57%	81%	59%	55%	83%	65%	52%	56%	61%	45%	45%	59%
<b>Friends</b>	60%	69%	21%	35%	14%	22%	43%	12%	20%	37%	23%	19%	42%	23%	21%
<b>Car review sites</b>	14%	2%	14%	15%	6%	14%	16%	6%	13%	22%	11%	13%	16%	7%	12%
<b>Social media</b>	26%	3%	3%	23%	3%	12%	22%	3%	11%	23%	11%	12%	21%	10%	12%
<b>Mechanics</b>	18%	1%	2%	20%	1%	3%	14%	1%	2%	26%	10%	4%	25%	22%	5%

Source: car&bike Analysis



## FAMILY AND FRIENDS:

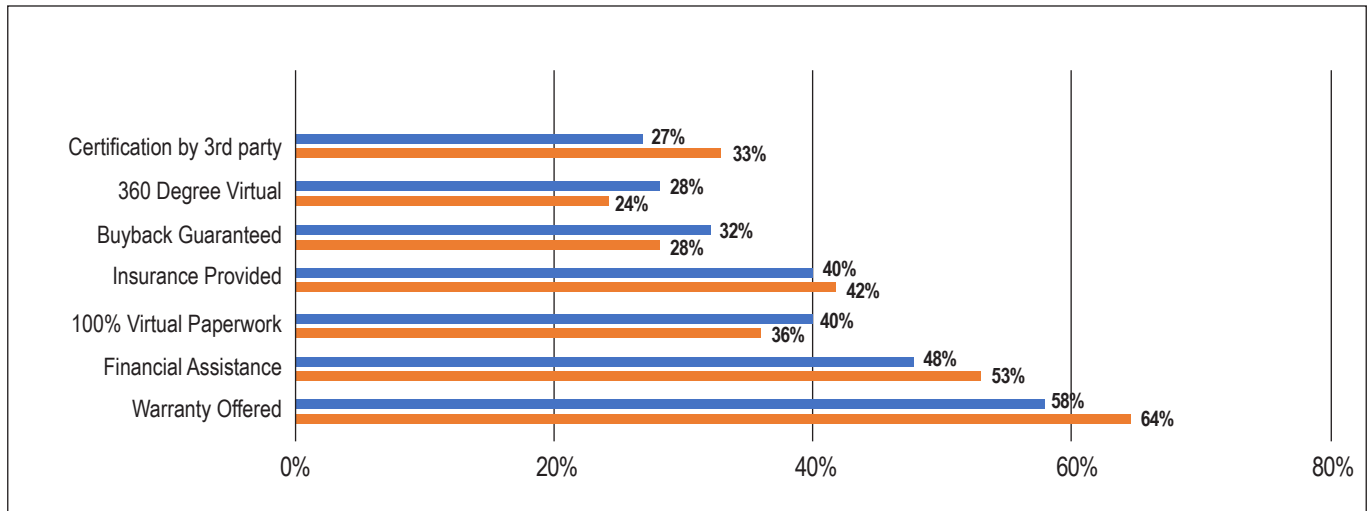
Undeniably, India's used car industry is going through a purple patch. You can ignore or undervalue the significance of family and friends as influencers to convince customers to opt for a used car at their own peril. In many ways, family and close friends remain dominant influencers. They have traditionally been the strongest influencers, but in FY 2023, their influence has grown further (55%). For Indian used car buyers, family members (parent and spouse) and close friends play an unprecedented role in decision making as they share strong opinions regarding the budget and colour of the car, even minutest details about accessories and other technical details.

Latest research suggests that e-commerce websites and SEO (search engine optimisation) are key factors to targeting and influencing pre-purchase behaviour while smartphones act as catalysts with regards to smart shopping by prospective customers. Additionally, television advertisements and sponsored campaigns on social media platforms also play a crucial role in shaping consumer behaviour and action.

For Indian used car buyers, the value-added services are very important. These allow the industry to gain trust of the prospective customer. Value-added services such as certification, warranty and financing assistance are the USPs of the organised players.

Organised players are benefiting from latest technologies, innovations for enhancing digital buying experiences, doorstep delivery, documentation, financial assistance etc. Among buyers, 64% of respondents are of the view that warranty is a must, followed by financial assistance (53%). Over the last few years, there has been a push in used car loans by financial institutions that has led to a spike in used car sales.

## What Indian Buyers Demand in Terms of Services

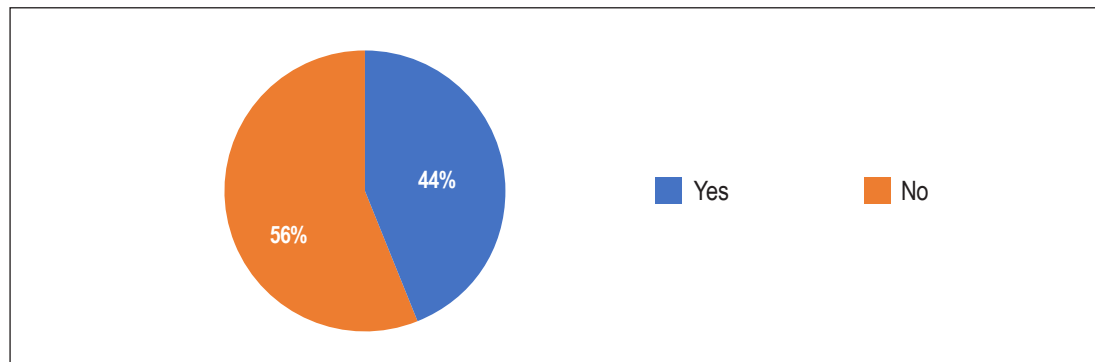


## ELECTRIC CARS

### WORK IN PROGRESS:

As far as electric cars are concerned, they pretty much remain work in progress. Used electric cars barely contribute towards total used car sales. This is primarily because electric cars are very new in the Indian car market. Their owners are not showing a willingness to sell them as of now. That is the reason behind their less supply. Moreover, there are unanswered questions regarding the battery life of an electric car. This factor is a big dilemma, as used car buyers have to think how wise is it to purchase an old EV car.

### Buyers Thoughts on Purchasing an Used EV Car for Next Purchase



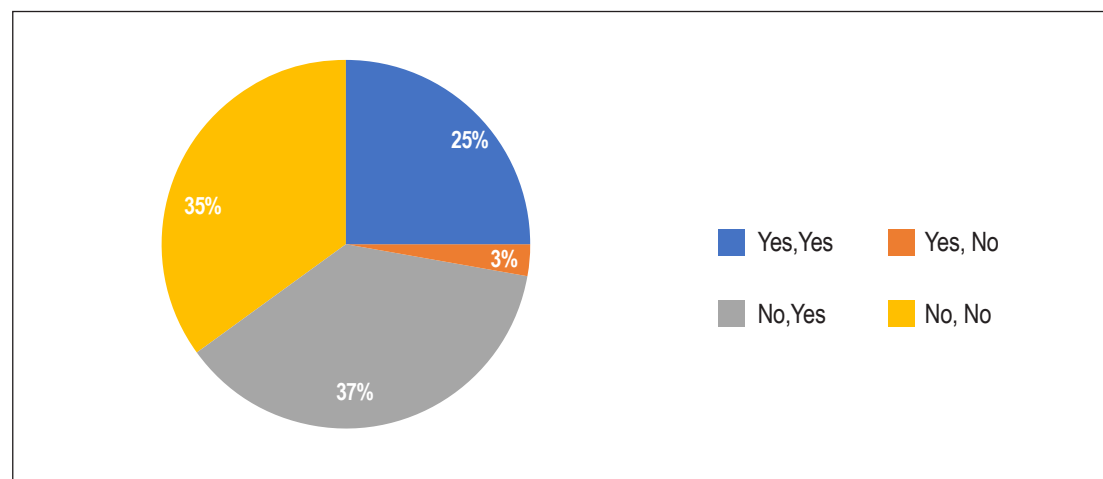
Source: car&bike Analysis

When it comes to preference of Indian car buyers purchasing a pre-owned EV car, around 44% of respondents favoured opting for it. A significant chunk (56% of respondents) is still undecided. This highlights the uncertainty towards the EV-used car market.

Just like with the used EV cars, car leasing is has now become another emerging trend. In India, car leasing is primarily confined to the B2B segment, while it still remains at a nascent stage in the B2C segment. Since there is less awareness among Indian consumers regarding the existence of such a model, they are not as aware about the benefits that they'd receive by leasing a car over buying a car. Only 28% of respondents are aware of this concept (car leasing) as far as India's used car buyers are concerned. This percentage, indeed, is not much.

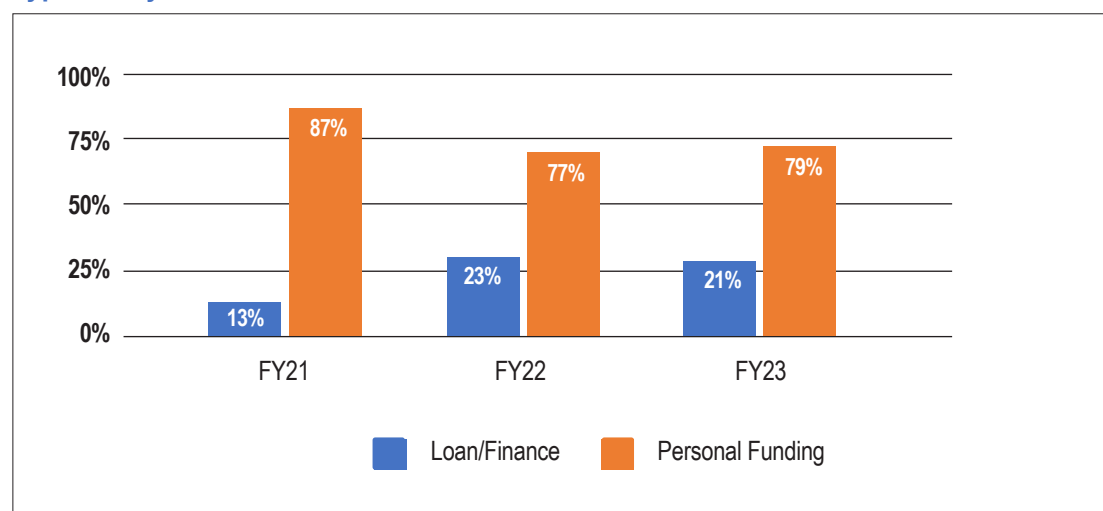
However, about 62% of respondents show their willingness to avail car leasing in future. This demonstrates that there is a buzz around car leasing and buyers are getting interested in this concept. The problem, however, lies in awareness and knowledge about this concept and the benefits it has for a user.

### Awareness of & Preference for Car Leasing among Indian Used Car Buyers



Source: car&bike Analysis

### Type of Payment



Source: car&bike Analysis

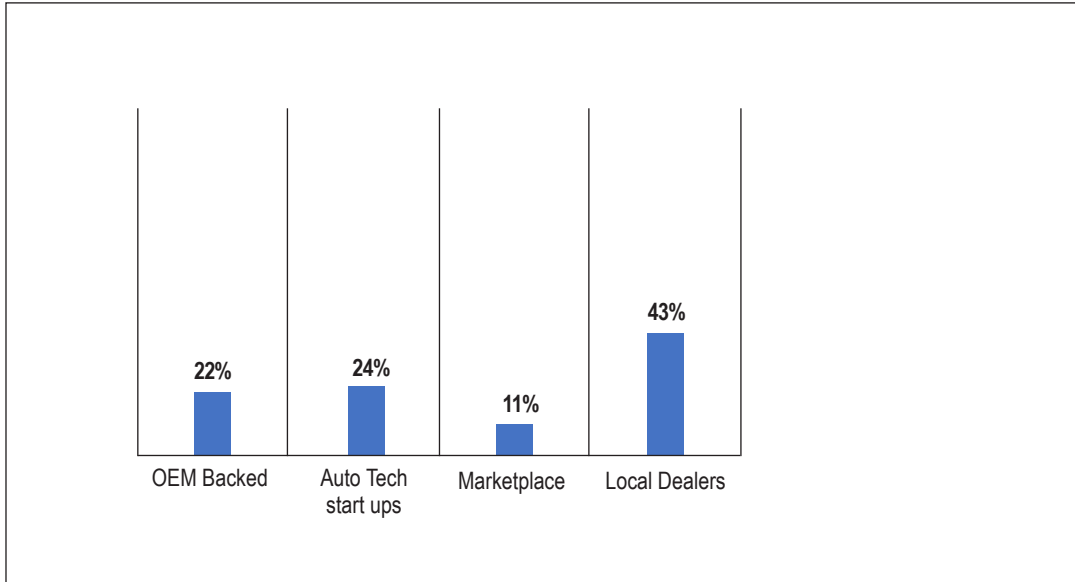
Since FY 2021, Indian buyers have been shifting towards loan/ finance. From 13% in FY 2021, it has risen to 21% in FY 2023. Nevertheless, a majority of buyers are still tilted towards personal funding as it translates as savings when it comes to buying used cars. Many buyers availing loan/ finance in the metro cities belong to senior/ top management (government and private) and self-employed people (traders/ merchants/ shop owners/ business owners).

In non-metro cities, most buyer personas availing loan/ finance are middle management employees and self-employed. They contribute to more than 55% in FY 2023, a rise from 40% in FY 2022. The increase in buyers purchasing used cars through financing in both metro and non-metro cities depicts the increasing financing penetration. However, in many cases, the lower financing penetration is due to less LTV (Loan to Value) of around 60%.



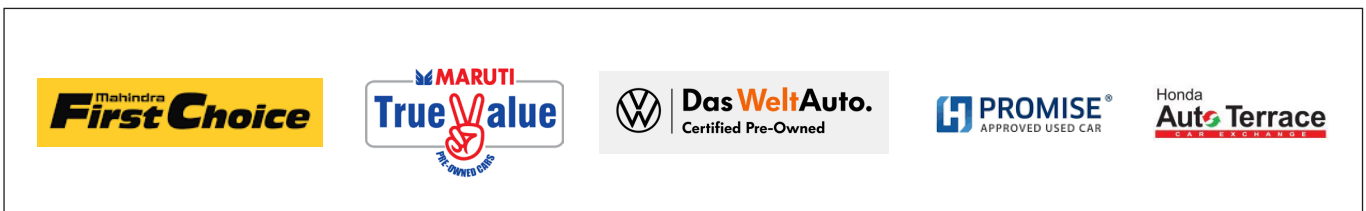
It is not surprising to see local dealers, who represent the unorganised sector, as the most preferred with 43% of respondents, followed by Auto Tech start-ups (24%) and OEM backed companies (22%).

Preference %



Source: car&bike Analysis

The OEM-Backed Companies



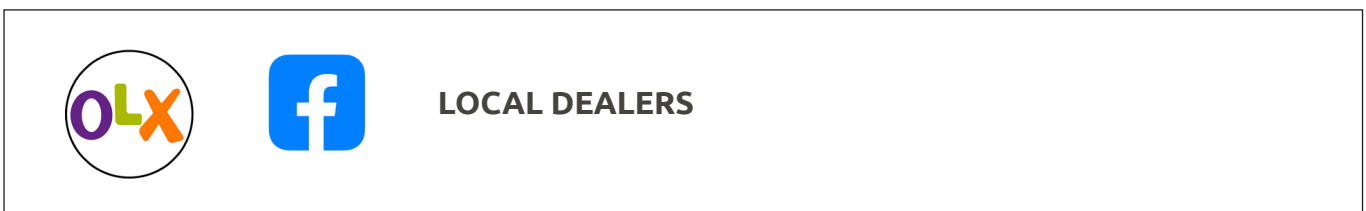
Source: car&bike Analysis

Auto Tech Start-Ups



Source: car&bike Analysis

Marketplace



Source: car&bike Analysis



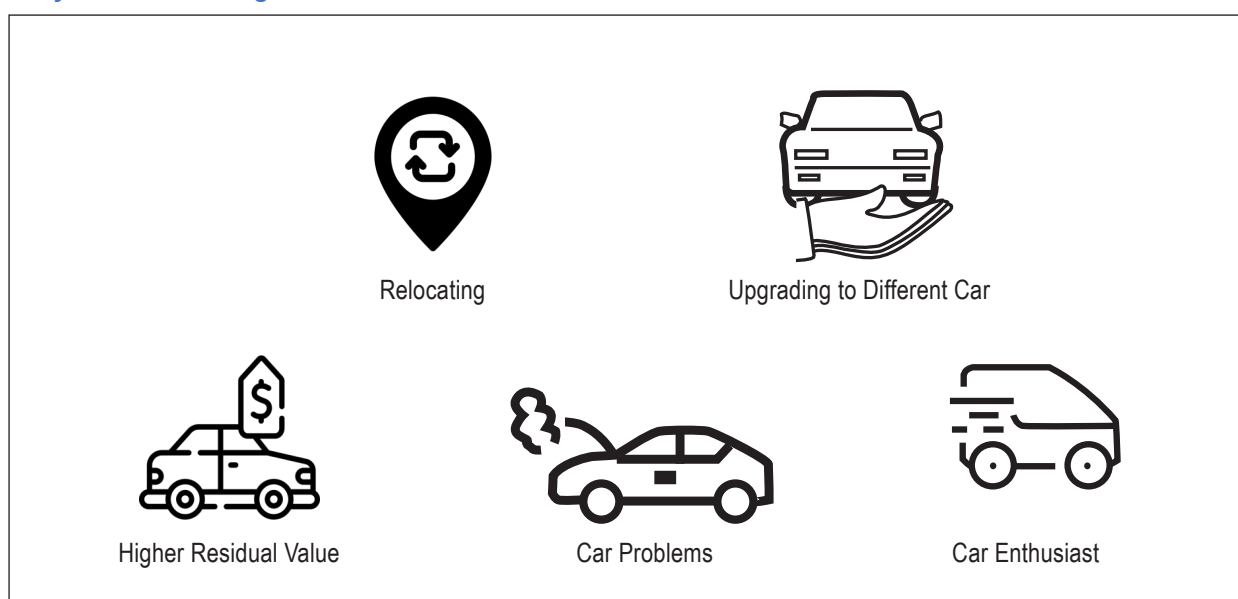


# SECTION 4

## INDIAN SELLERS' MARKET

There has been a rise in owners selling their cars to organised dealers, owing to reasons such as free home inspection facility, attractive resale rates and hassle-free documentation processing. All these reasons have earned trust. Therefore, it is not surprising to see a positive response from owners.

### Why Sellers are Eager to Offload their Cars

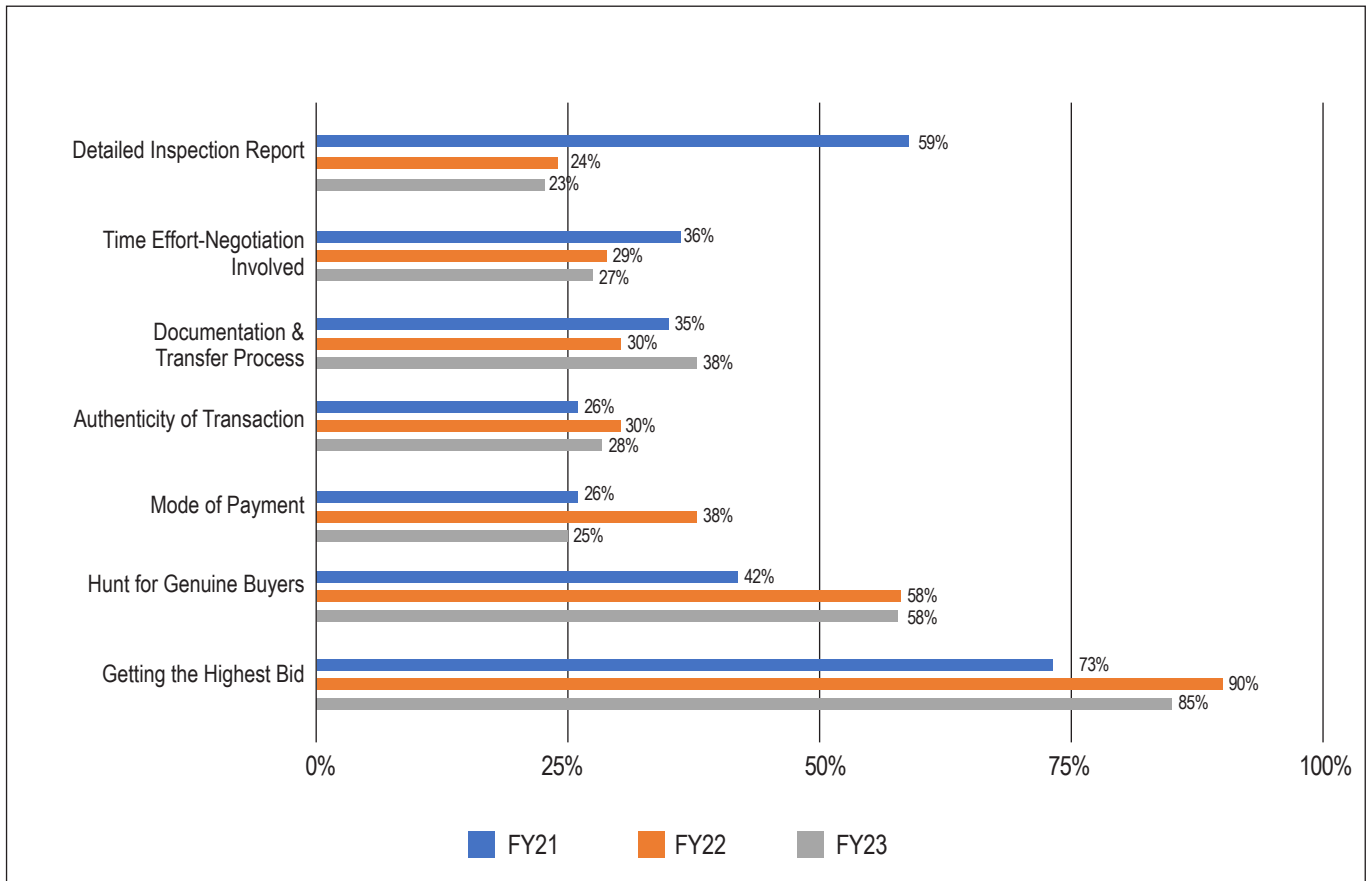


Source: car&bike Analysis

## SELLING CARS FROM THE COMFORT OF HOME

Digital adoption rate has been on the rise. Moreover, there have been significant changes in the consumer's journey. Nowadays, car owners are discovering multiple organised used car platforms. Gone are the days when friends, relatives and garage owners were the only possibilities for selling a car. Our survey results show top considerations that owners keep while selling their car. Getting the highest price was a consideration for 85% of respondents, followed by 57% for getting a genuine buyer and 38% of respondents for easy documentation and transfer process.

## Primary Considerations by Indian while Selling Cars

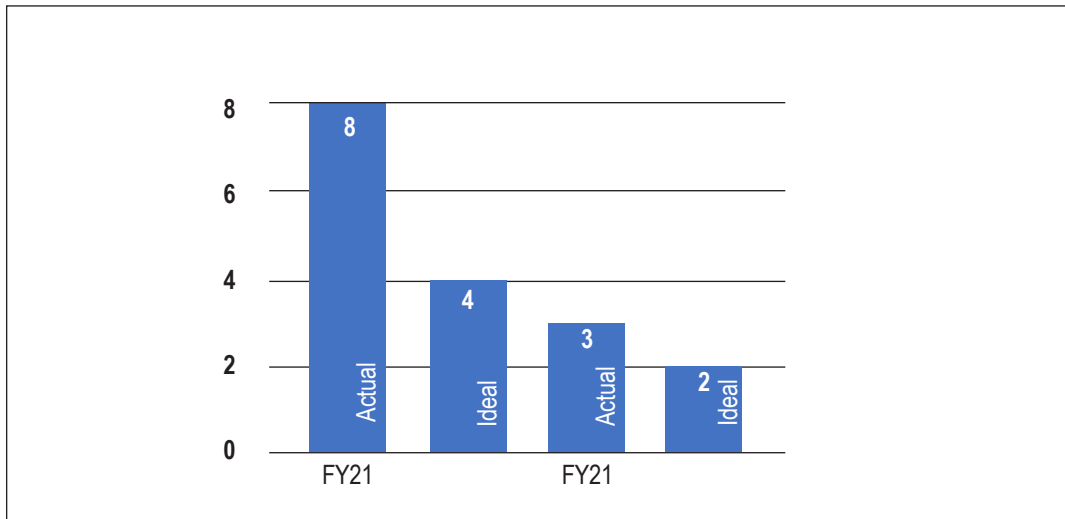


Source: car&bike Analysis

Such considerations by sellers incline them towards organised players, since they largely meet all their expectations and considerations. On average, the process of selling a car takes 7-8 days, but the mushrooming of digital platforms has enhanced home inspection services, instant purchasing, and fastened the entire process by leaps and bounds. Our survey results show that sellers experience an average TAT of 3.5 days while they expect it to be completed within 2 days. The TAT for selling a car has massively improved with instant payment offerings by organised players upon inspection.

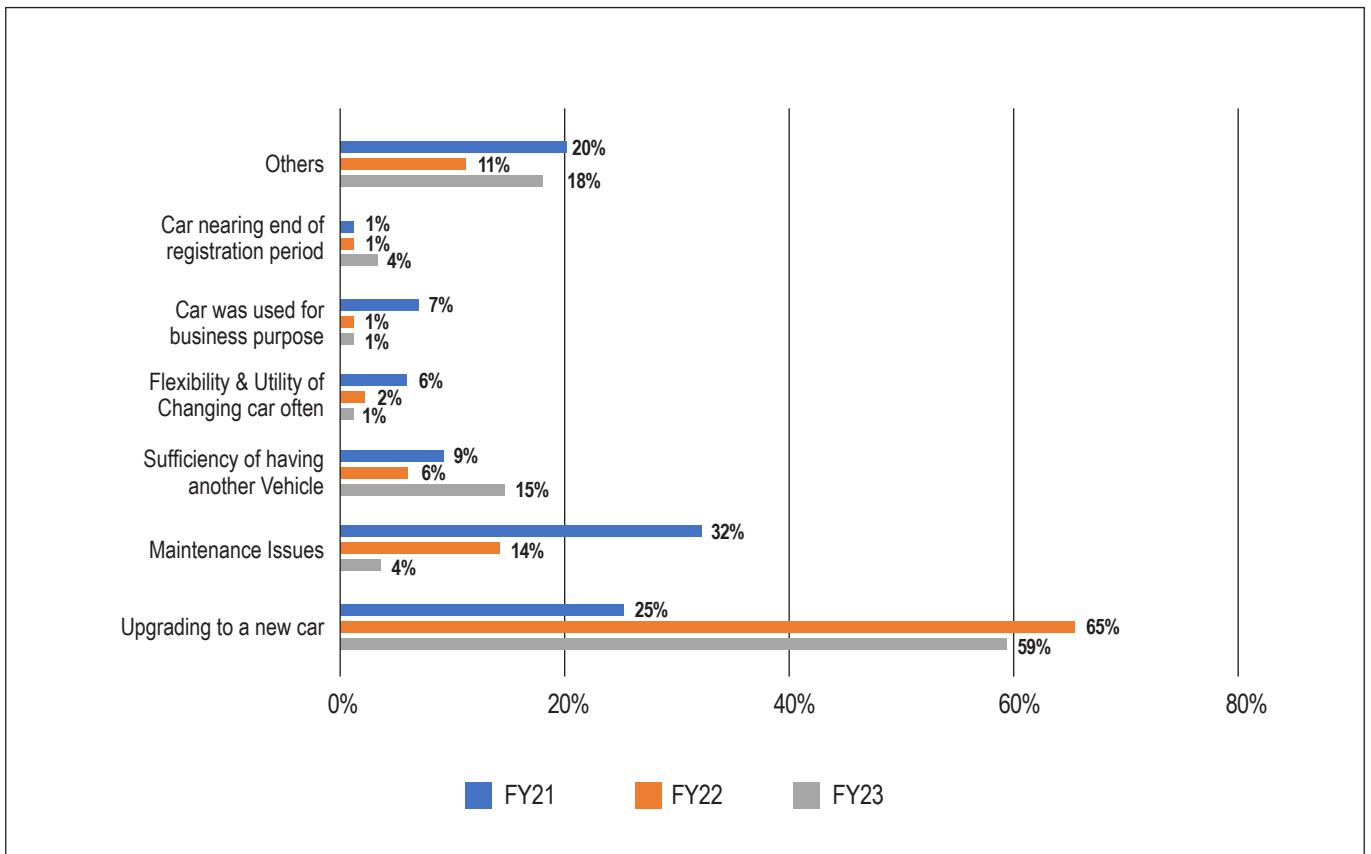
The graph below shows the progress from FY 2022.

TAT in Days



Source: car&bike Analysis

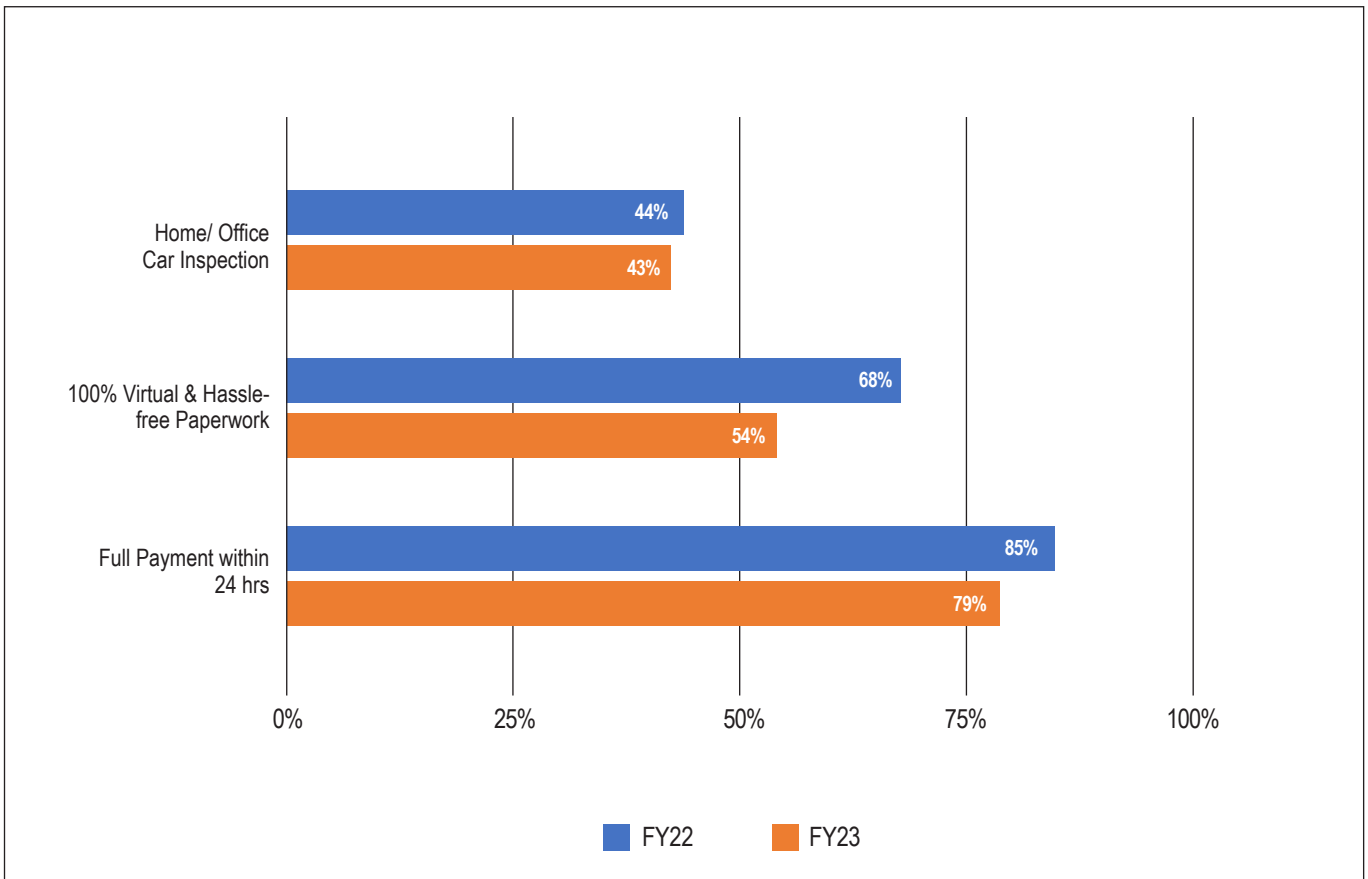
Why Owners Sell Cars



Source: car&bike Analysis

Our survey results show that owners get rid of their cars after covering distances of about 60,300 km on average in FY 2023 in comparison to 70,000 km in FY 2022. This demonstrates that owners have started selling cars quicker than before, thanks largely to easy accessibility to sell cars from the comforts of their home, good resale value offers, and desire for upgrading to other types of cars. Surveys suggest upgrading to a new used car is the top reason to sell cars for 59% of respondents, followed by sufficiency of having another vehicle has increased as extra cars bought during COVID-19 are being sold now. Other reasons include the desire to get rid of the car for monetary considerations.

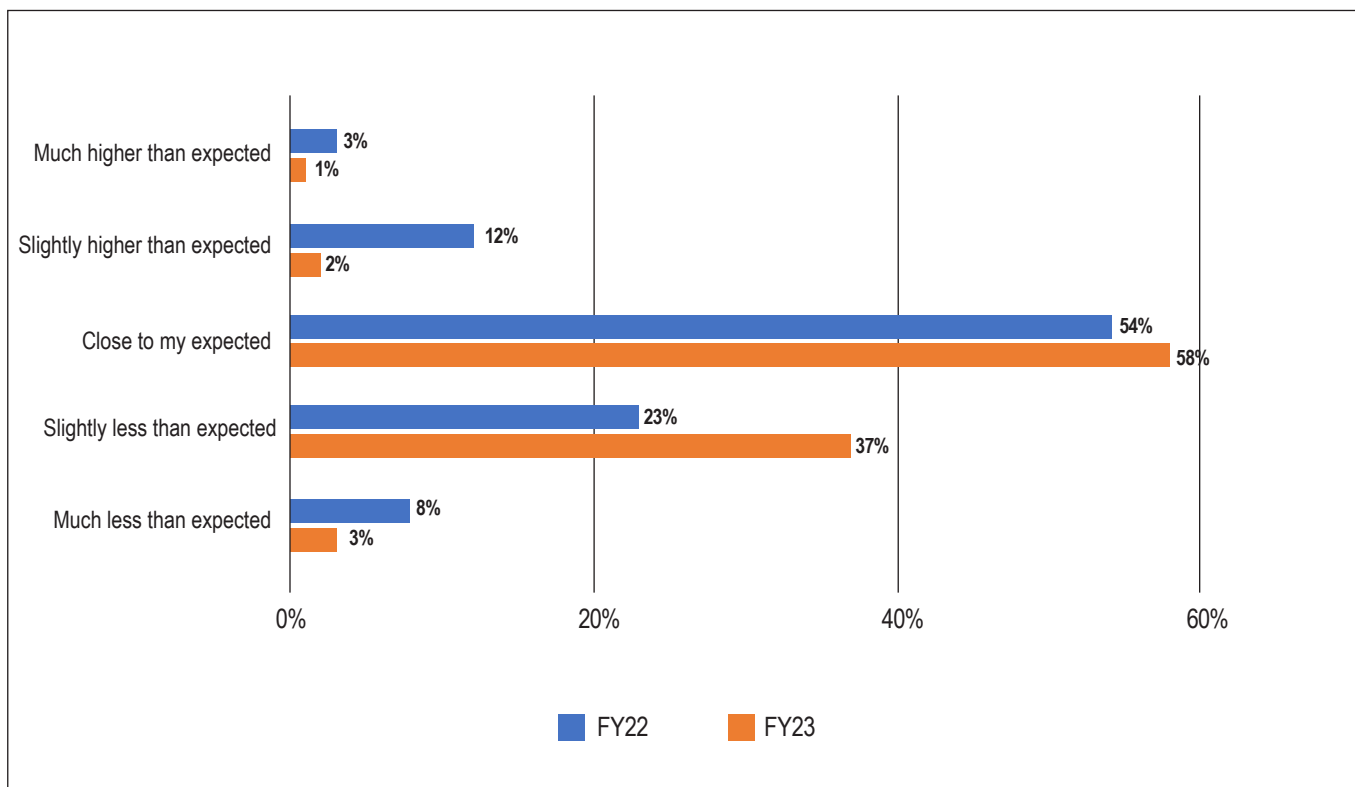
### Seller Priorities During Sale Process



Source: car&bike Analysis

When car owners think of selling their cars, they indeed have certain priorities. At least 79% of sellers request full payment within 24 hours, followed by 54% wanting a completely virtual and hassle-free paperwork.

## Expectation vs Reality



Source: car&bike Analysis

Our survey sheds light on the contentment of car owners over the price they get after selling their car. Usually, no car owner would be completely satisfied with the price. Satisfaction, they say, is the death of desire. Our survey suggests that 58% of sellers feel the price they received was not far from their expectation. This depicts that most sellers are satisfied. At the same time, there are a few sellers who are of the view that they got a price much less than what they'd expected. This is due to some local dealers on whom they often depend for quotations. They also browse through various digital platforms. However, a matter of concern is when their expectations are not fully met. The ball, therefore, is in the court of organised players. They have to ensure that all genuine expectations of sellers are duly taken care of.

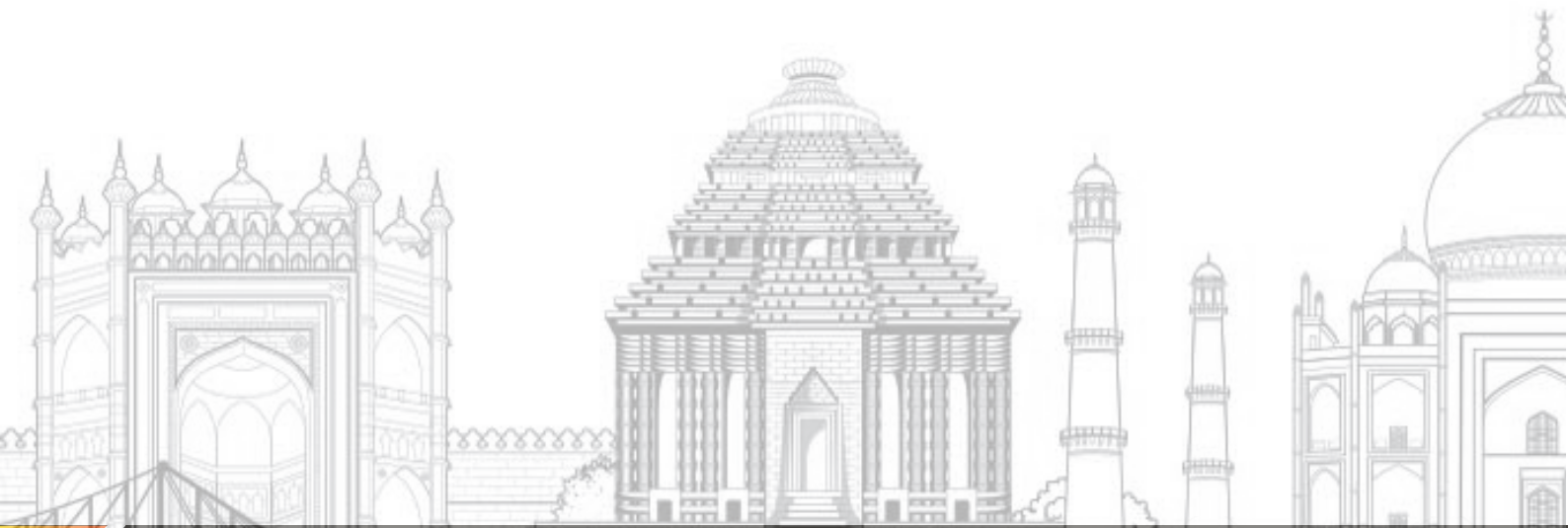
## TAKEAWAYS

Making a choice between a brand-new car and a pre-owned vehicle is always going to be a tricky affair. Both options have their merits and demerits. That being said, factors such as cost, reliability, car features, safety measures, fuel efficiency, depreciation, resale value, trust, documentation, warranty, condition, maintenance and environmental considerations play a decisive role.

It is a given that India's used car market will only rise and grow with time. This industry is expected to clock a Compound Annual Growth Rate or CAGR of 17.60% in the next 9 years. Besides this, the market size is all set to expand and cross the magical valuation of \$43.05 billion at the end of this year while it will reach nearly \$139 billion by 2032. The pre-owned cars segment has witnessed healthy sales, as the Indian used-car market size is anticipated to grow from \$27.47 billion in 2023 to \$55.49 billion by 2028.

Driven by an increasing middle-class population, rising disposable incomes, and a growing preference for personal mobility, India's car market will only grow from strength to strength. This industry has a lot more to offer and its potential still remains untapped in many ways.

Lastly, the intervention of technology has grown to an unprecedented extent. Nowadays, the entire process of buying or selling a car can be completed within a day or two. Artificial Intelligence is playing a decisive role, too.



## CONCLUSION

The pre-owned car market in India is consistently exhibiting promising growth, and it is a given that the industry will grow from strength to strength in the coming years. Globally too, the growth story of the pre-owned cars is guaranteed. A purpose-led phygital experience remains a great source of attraction for both buyers and sellers. From test drives to the usage of sophisticated digital platforms, the importance of transparency between the buyer and the seller has been enhanced while value-added services such as warranty and easy financing have consistently fuelled growth of the organised sector.

The favourable results are on the expected lines, as India has risen to become the world's fourth-largest automobile and is anticipated to become the third largest by 2025. India's used car market has an immense potential and is primarily driven by an increasing and aspirational middle-class populace, mounting annual income, and a rising penchant and desire for personal mobility. The aspirational buyers in India – majorly the young customers – are gaining upward mobility, and as a result, their desire to match their rising status ends up in personal transportation. The good news is that India's used car market is expected to grow at a whopping 17.60% in volume in the next five years (FY 2023-28).

In today's fast-paced and tech-driven world, the use of Artificial Intelligence (AI) has been a catalyst to shift the pre-owned car industry space for buyers, sellers and companies alike. Technology has been a sort of paradigm shift as customer experience is becoming as seamless as never before. Inspecting cars instantly, generating detailed reports, pricing and chatbot-driven feedback are some of the factors responsible for taking customer satisfaction to the next level. Besides this, the new-age auto tech start-ups have brought in various new offerings including delivery at home, same data delivery, payment in a day, etc.

Our research study establishes the fact that the EV-used car and the car leasing markets remain at the infancy stage to adoption. Though the awareness about this market is promising, it remains a work in progress. Moreover, there has been a change in consumer preferences as factors such as choosing a car type, quality, residual value and safety have become more relevant than before.

Although the organised sector is increasing its market share, the biggest competition remains the same – the local dealers. However, the digital and technological explosion in the industry continues to favour the organised sector along with MoRTH (Ministry of Road Transport and Highways) regulations.

## ABOUT US

Mahindra First Choice (MFC) is a leading player in India's used car market, operating both online and offline channels to connect buyers and sellers. MFC offers a wide selection of 200-point certified used cars across its 750+ dealerships. You can browse their inventory online at [carandbike.com](http://carandbike.com), or visit their physical stores for a welcoming environment for car shopping. They offer 2-year warranty, a 7-day return policy, and various buyback and cashback options. This comprehensive service makes them a trusted choice for both car buyers and sellers.

[carandbike.com](http://carandbike.com) is one of India's leading auto-tech platforms. This popular website attracts over 14 million unique monthly visitors and serves as a valuable resource for car pricing, reviews, and news. It even facilitates online car buying and selling. They host "The car&bike Show" and "car&bike Awards," further solidifying their position as a leading force in the Indian automotive industry.

## DAS WELTAUTO

Das WeltAuto is the certified pre-owned car business of Volkswagen Passenger Cars, India. As an OEM-backed company, it garners a lot of trust among buyers. It is a one-stop place that facilitates buying, selling and exchange of multi-brand used cars. It has a thorough 154 checkpoint inspection on pre-owned cars that helps customers to make informed decisions. It has a pan-India network of 105 DWA outlets. Das WeltAuto provides several value-added services through due diligence and certify the vehicles besides offering warranties, service packages, options for accessories, extended warranty options and maintenance programmes for customers.



## SPECIAL THANKS TO

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# USED CAR INDUSTRY REPORT

**FY2022-23** 

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