

PRE-OWNED  
**CAR**  
MARKET  
REPORT  
INDIA  
2021





# Foreword

The past year witnessed several industries suffering setbacks due to a global economic slowdown, nation-wide lockdowns, and lack of trade. Amid this backdrop, the pre-owned car sector came to its own for several reasons, some of which were circumstantial and some of which were a result of several years' worth of work. Online platforms, digital pricing engines, retail networks and a well-established enterprise value chain were crucial to the success that the used-car industry experienced. Add to this an increased need for personal mobility among price-conscious customers, and growth was inevitable.

We would term 2020 as the 'Rise of the Pre-Owned Car Industry' in India. It weathered the storm of COVID-19 with great resilience. In fact, practices like social distancing have been a catalyst to this rise. The 2021 edition of the report has been divided into two chapters. The first chapter gives a macroscopic view of the pre-owned car market in India. It covers key metrics like market size, industry landscape and the growth of the industry over the years. This year we have introduced a new section to understand the factors that will be drivers of future growth. This chapter also sheds light on the institutional market in India and how it will continue to be a critical supply source for the used-car industry. The report also has a section on the value chains



that are currently prevalent in India and around the globe.

Chapter Two: The Voice – Where the Rubber Hits the Road – is an exclusive consumer and pre-owned car dealer study. We have conducted this study with PremonAsia, a consumer insight-based consulting firm based out of Singapore. For this study, we have accounted for all three cogs on the consumer side: the buyer, the seller, and the intender. This extensive consumer-side study gives us a deep understanding of the profiles, preferences, the influence of digital, and the considerations made during the journey of each of these consumers.

The pre-owned car dealer is the cornerstone of the pre-owned car market. The supply-side study gives us insight into the mindset of the dealer, channels of procurement, demand drivers, and future business climate of the pre-owned car market.

COVID-19 has been an unexpected blow to multiple

industries across the globe, with the auto industry facing the brunt. This report covers the impact of COVID-19 at an industry level as well as at a consumer and dealer level. With the Indian auto-industry reeling from the effects of the pandemic, the pre-owned car market will continue to be a key enabler for the growth of the new car industry. With the commencement of a new decade, we believe these are exciting times for the industry, with huge opportunities for growth. We hope that the IndianBlueBook carandbike 2021 report will set the tone for the ongoing decade while being useful to all industry participants to garner insights, and continue to drive the used-car industry forward.

We hope that this edition of IndianBlueBook Pre-Owned Car Market Report, India will be useful to all stakeholders and promote the cause of rapid organisation of the industry and scaling up of participants therein.



# IndianBlueBook

India's most trusted vehicle pricing guide



## carandbike

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# **USED CAR INDUSTRY LANDSCAPE**

*The pre-owned car market in India has continued to grow despite slowing economic activity and externalities which have shaken the auto industry.*

*4.2 million cars were sold in FY20, with a modest growth of 5% over the previous year.*

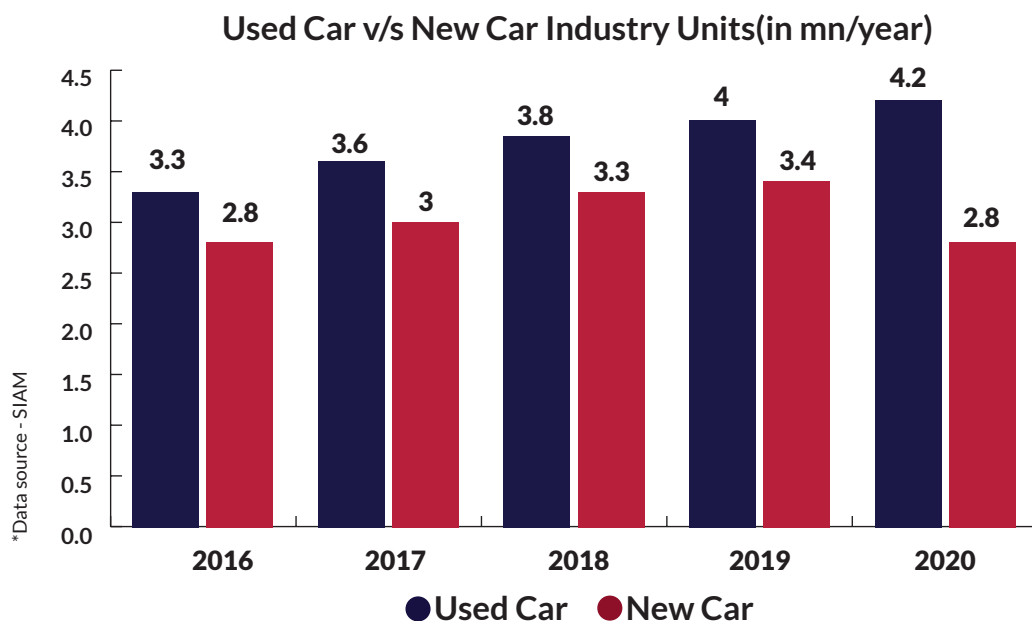


## MARKET SIZE – F20

*The gap in size of the pre-owned car market v/s the new-car market has doubled between FY19 and FY20, and stands at 1.4 million for FY20.*

**T**he pre-owned car market in India has been a north star of the progress of the automotive industry, despite being bundled with complexity, multiple stakeholders, and a web of value chains. The base of growth stems from the fact that the industry is has continued to move towards getting organised on the back of significant investments being poured into the sector. The sector will enjoy immense growth potential in the years to come.

In FY20, the pre-owned car market in India stood at 4.2 million units; 50% higher than the new-car industry, which registered 2.8 million unit sales. This difference is significantly higher as compared to FY19 where the difference stood at 0.6 million units i.e 21% greater than volumes of the new-car industry. The used-car market has seen a growth of 5% year-on-year while the new car industry has contracted by 17.8% as compared to the previous fiscal year.



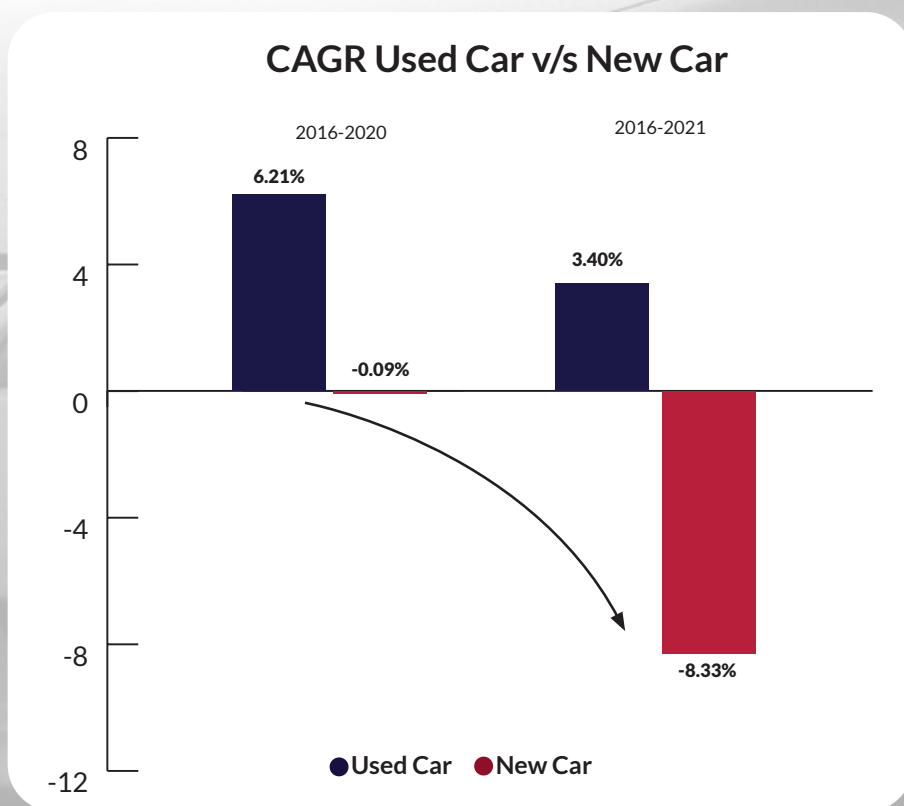
## HISTORICAL GROWTH RATE



*The pre-owned car industry has grown consistently in the last 4 years, while growth of the new-car industry has faltered due to multiple reasons.*

**D**espite the economic slowdown and other externalities that have impacted the automotive industry, the used-car industry has overall shown a CAGR of 6.21% in the FY16 to FY20 timeframe, while the new-car industry has displayed a CAGR of -0.09% within the same.

Also, if we account for estimates of FY21 to calculate the CAGR between 2016 and 2021, the CAGR in the used-car industry stands at 3.4% while the new-car industry's CAGR would stand at -8.33%. The new-car industry is still recovering from the post-pandemic slowdown and macro challenges like global supply chain issues, availability of labour and the transition to BS6.







## IMPACT OF COVID-19

**“The wind has blown in favour of the pre-owned car market in India and has nudged the industry towards faster consolidation, organisation and growth.”**

**T**he year FY21 has seen a black swan event in the form of COVID-19 sending shockwaves throughout the globe and various business industries. One of the biggest industries to be impacted due to this has been the auto industry. While there was a dip in volume of both the new-car and used-car industries, the new-car industry was severely impacted due to the following reasons:

## **MISMATCH BETWEEN SUPPLY AND DEMAND**

Trade between countries was majorly impacted as the pandemic raged across the world in FY21. This led to serious constraints in the movement of vehicle components that were critical to building new cars (eg: semi-conductors). With the global supply chain impacted, production levels are far lower than in the previous year. Since the used-car industry does not have global interdependencies, it escaped the wrath and, in fact, capitalised on the pent-up demand.

## **REDUCED OPERATIONS**

Due to a complete nationwide lockdown in April 2020 and extended lockdowns in several states (especially metro areas), the new-car dealers had a significantly smaller timeframe in FY21 to carry out uninterrupted sales. This effectively gave them only 6-7 months of operation cycle to sell vehicles in the market, leading to a drop in new car sales. In comparison, used-car dealers were able to open shops due to lower dependency on manpower requirements and lesser operational complexities involved. They also had a larger cycle of operations, which facilitated good sales volumes for the pre-owned car market.



## PREFERENCE OF PERSONAL TRANSPORT OVER PUBLIC MODES

Consumers have actively avoided the use of public transport this year due to health and safety reasons. The mindset has shifted to owning a car, which acts a safe mode of conveyance to meet their mobility requirements amid the pandemic. Buyers have sought to own used cars as it fulfils their criteria for a safer way to commute.

## IMPACT ON BUDGETS FOR PURCHASE

With the transition to BS6 at the start of FY21, new cars became more expensive to own. Also, with the pandemic, the disposable income of several consumers was impacted. These customers who were now looking for an affordable means of personal transport gravitated towards used cars and hence potential buyers of new cars have switched to used cars.

An increased comfort with digital platforms, and select sections of society (agriculture related, salaried whose livelihoods weren't affected extensively by the lockdown) acted as additional factors to propel purchases of pre-owned cars.

**T**he year FY21 can be summarised as a year in transition. While it has impacted the financial health of the used-car and new-car ecosystem in the short term, it has fast-tracked the pre-owned car market on the path to growth. The buyer is now more open to owning a used car than ever before. *Detailed impacts of COVID-19 have been covered in Chapter 2.*

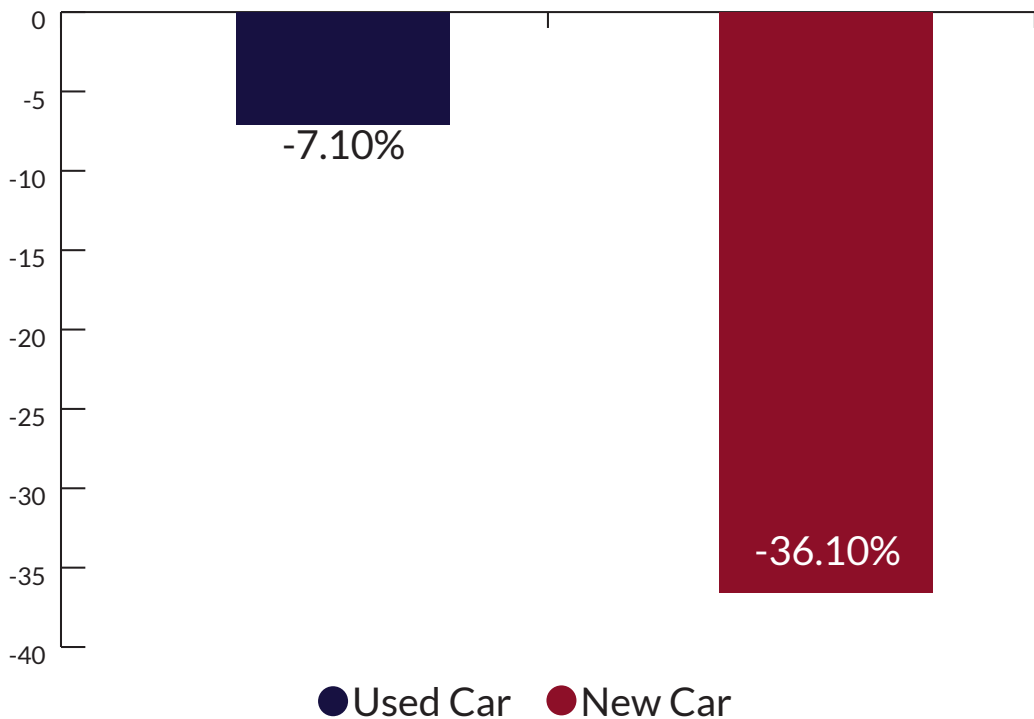
# THE FY21 SCENARIO

## THE FY21 SCENARIO

*With the lockdown induced due to COVID-19 in the 1st half of the year, the new-car industry is estimated to register ~36% YoY degrowth. In contrast, the pre-owned car industry is estimated to shrink by only 7.1%.*

**C** OVID-19 lockdowns impacted multiple industries; however, the auto industry faced the brunt of slowdown and, for the first time in history, there were no new car sales for the entire month of April 2020 due to enforcement of lockdown. Even post the easing of restrictions, the new-car industry continues to be plagued with supply chain issues and low inventory levels. In these tumultuous times, the pre-owned car market has emerged as a flagbearer of the auto industry.

## Growth in FY21 - Used Car v/s New Car



**F**or FY21 the estimated size of the used car market is 3.9 million units. While it is estimated that there will be a degrowth of 7.1% in the used car segment as compared to FY20, it is far lower than the ~36% dip expected in the new car segment. The new car industry is estimated to register ~1.8 million units in sales for the year FY21 which would translate to a drop of 36.1%.



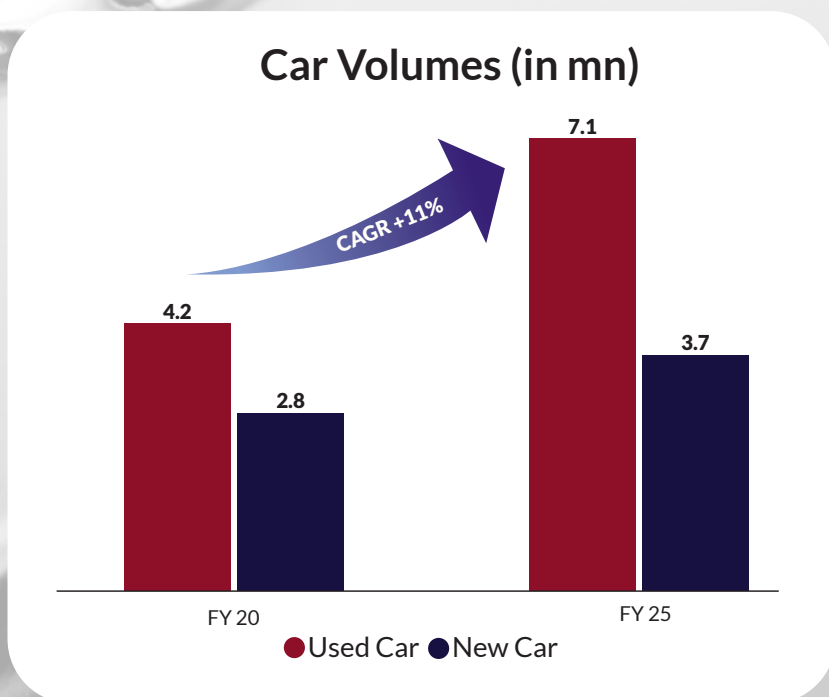
# FORECASTS OF MARKET SIZING

(TIME PERIOD FY20-FY25)

## CAR VOLUME

**“ As of FY20, the used-car market is 50% larger than the new-car market. In FY25 the used-car volume is estimated to be 90% larger than the size of the new car market in the country. The market is likely to be at 7.1 million units in FY25, representing \$40 billion of GMV and offering \$7 billion of revenue-generating opportunities for value-chain participants.**

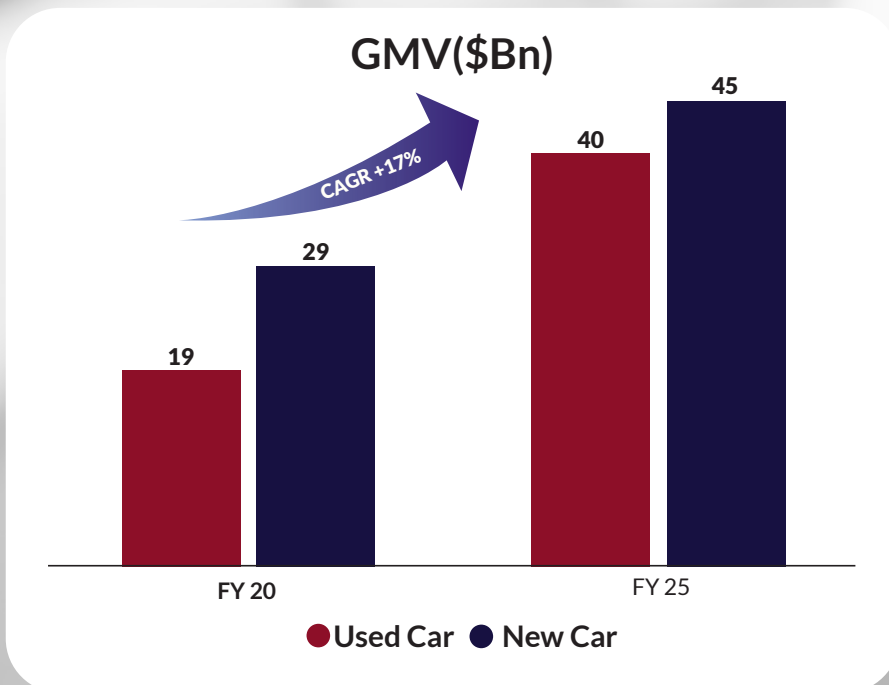
**W**hile the pandemic slowed down the used-car industry, there is still a huge upside in the next 5 years. The volume of the used car market for FY20 is at 4.2mn units, and is expected to leapfrog to 7.1mn units by 2025 with a CAGR of 11% for the next 5 years.



## GROSS MERCHANDISE VALUE

*For FY20 GMV of the new-car industry is 52% larger than the used-car industry. For FY25 it is estimated this gap will shrink to 12.5%. This is due to higher-volume growth of the pre-owned car market and increased organisation of the industry, which would lead to multi-service options being baked into the used car products which will enable higher GMV for the pre-owned car market.*

In the used car market, while the volume has been significantly higher, the GMV is still lagging by over \$10bn as of FY20. However, due to the increase in volume of used cars, the gap is expected to narrow to \$5bn by FY25. The GMV estimate for the used-car market is pegged at \$40bn for FY25 from \$19bn as of FY20 with a CAGR of 17%.



## USED VEHICLE REVENUE POOL

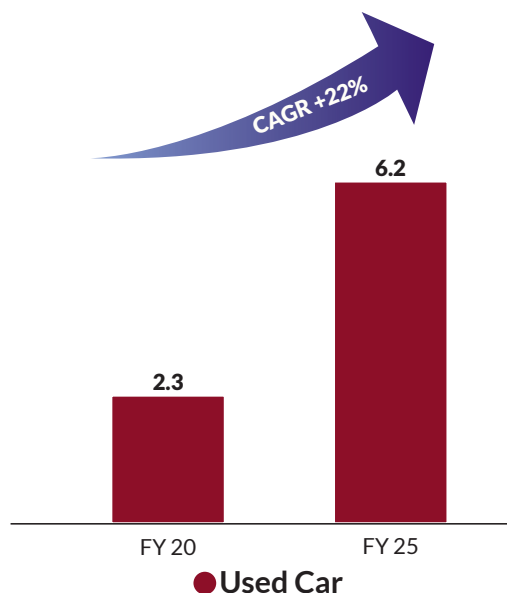
**“ The revenue per vehicle in the used car segment currently stands at 12% as of FY20, which is expected to increase to 15% by FY25. ”**

**T**he Used Vehicle Revenue pool is defined as the value added by the pre-owned car industry in terms of revenue generated. The seller would sell the vehicle at a market price X to a stakeholder in the used car industry while the buyer would acquire the vehicle at a price Y, the used vehicle revenue pool is defined as the difference between the acquiring price of the buyer and selling price of the seller. (Y-X). The Used Vehicle Revenue pool has components of inspection, refurbishment, auction, and additional services of facilitating financing, warranty, and insurance which add to the revenue generated by the pre-owned car industry.

The Used Vehicle Revenue Pool stood at \$2.3bn in FY20; however, with the growth in volume expected and the rise in the GMV for used cars, the used vehicle revenue pool will grow to \$6.2bn at a CAGR of 22%.

With favourable room for growth and India pegged to be a \$4trillion economy by FY25, the pre-owned car market will be large beneficiary.

### Used Vehicle Revenue Pool (\$ Bn)



## KEY DRIVERS FOR GROWTH

**“ Low car penetration, fast increasing disposable income per household, greater supply in the market, and a move towards organised and transparent trade will drive the used-car market.**

### LOWER CAR PENETRATION IN INDIA V/S REST OF THE WORLD

**“ Overall car ownership is still very low in India and currently stands at 30 cars per 1,000 people. As of FY20, the used-car to new-car ratio in India lies on the cusp of moving from infancy to the growth stage, thereby signifying a start of a new era for the used-car industry. However, the gap which exists in correlation to some developed and developing nations is indicative of the high growth potential of both, the used- and new-car sectors in India.**

Indonesia is at 90 cars for every 1,000 people, South Africa is at 175 for every 1,000 and Brazil is at 350 for every 1,000. On the other hand, the USA has a car penetration of 800 per 1,000 people, which is the highest in the world. This signifies that there is a huge potential for growth in the Indian market when it comes to 4-wheeler passenger vehicles.

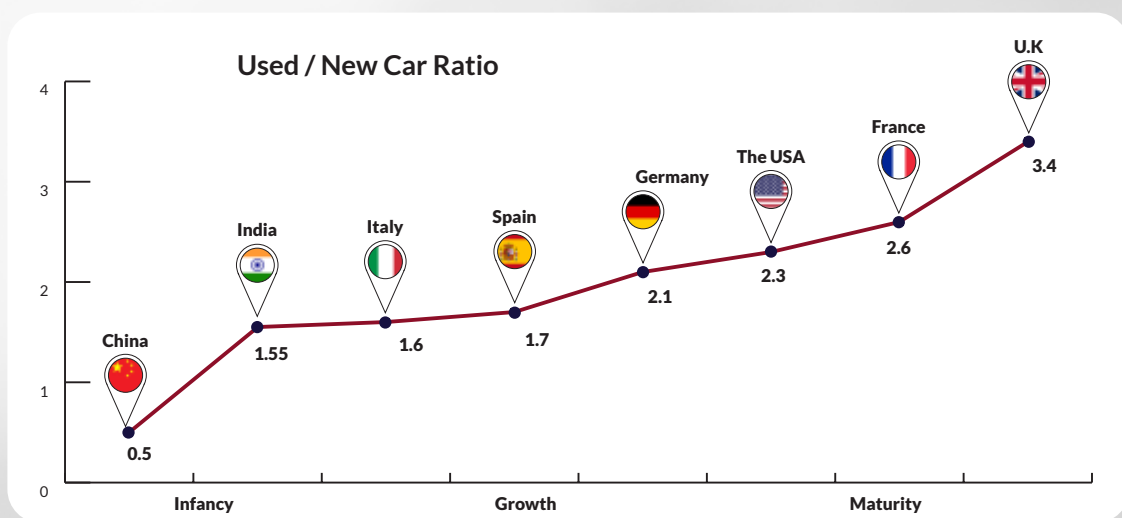
#### Vehicle ownership penetration (approximate)





The used-car industry in India is at an early stage of evolution and is at the cusp of transitioning from infancy to the growth and maturity phase. In China, the new-car industry still dominates the yearly sales, with the ratio of a new car to a used car being 0.5 as the sector is largely unorganised and the replacement cycle of a car is still high. In India, it currently stands at 1.55 as of FY20, whereas in developed countries like the USA and UK it stands at 2.3 and 3.4 respectively.

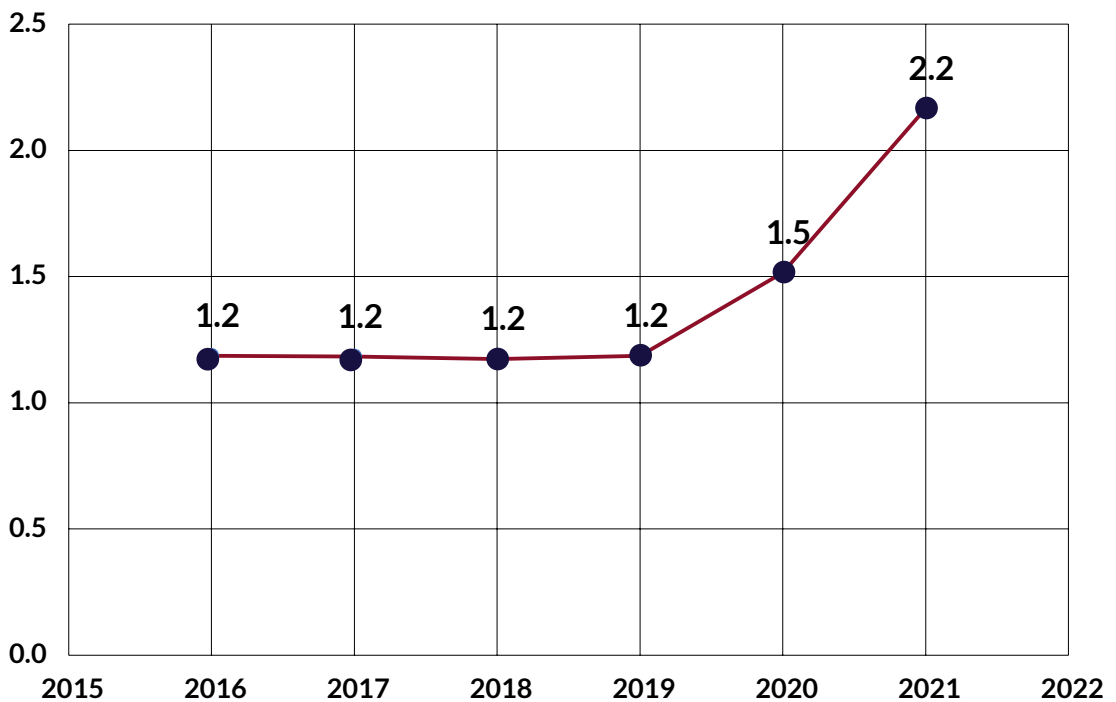
Based on recent estimates for FY21 the ratio for India has leapfrogged to ~2.2x which is a temporary jump due to a large dip in new car sales on account of the short-term impact of Covid-19.



# USED CAR TO NEW CAR RATIO

*The used car to new car ratio is representative of the maturity of the pre-owned car industry. In India, this ratio has held steady between FY2016-19 at 1.2x. FY20 was a tipping point and pushed the ratio to 1.5x, which signifies the beginning of a new era in the pre-owned car market in India. The trend has continued and FY21 is expected to close at ~2.2x.*

Used Car/New Car Ratio



**T**he volume of the used car market was 1.2x times that of new car volumes until FY19. While the used-car market has been historically larger in terms of absolute volumes than the new-car market, the jump has amplified in the past couple of years due to a shift in the consumer sentiment towards used cars. One of the leading factors for this change is the faster shift from unorganised to organised trade and offerings like warranties on used cars by the organised players. Hence, the used car to new car ratio increased to 1.5x for FY20.

Considering the estimates for FY21, this ratio is at an all-time high at ~2.2x. However, it is to be noted that due to the impact of COVID-19, there has been a substantial decrease in the denominator (new car sales) while the numerator, i.e the pre-owned car market, has been relatively stable. Moving ahead, we expect this ratio to normalise. However, COVID-19 has clearly indicated that consumers in India are now amenable to buying used cars and consider it a smarter investment over a new car. The middle-class audience has also shunned the social stigma which was earlier attached to buying a used car, especially in Tier 2 and Tier 3 locations.

## **HIGHER DISPOSABLE INCOME**

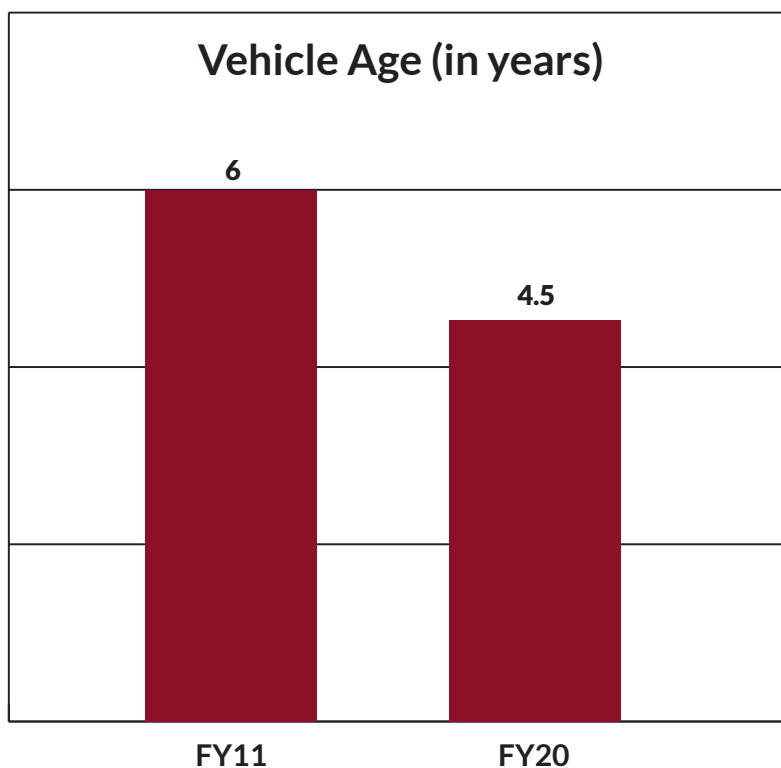
The disposable income per household is expected to double by the year FY25 as compared to FY20. With the increase in discretionary spending and rise in aspirations of the Indian populace, vehicle penetration would see an uptrend in the forthcoming years.



# CHANGING BEHAVIOURS AND ATTITUDES

## LOWER CAR OWNERSHIP CYCLE

One of the major factors causing the used-car market in India to lag behind other countries was the non-availability of retail-worthy used cars i.e. cars less than 5 years old. In FY11, the average replacement age of a car in India stood at 6 years, whereas as of FY20 this has dropped to 4.5 years, which indicates the ownership period of a new car with the first owner has reduced due to the increased pace of new launches of cars in mid to premium segments. Many customers in the hatchback and sedan categories have upgraded to compact SUVs and SUVs. The hatchback remain the most popular choice for entrants to the 4-wheeler category, whether they are first-time vehicle owners or climbers from 2-wheeler to 4-wheeler.



## **LEASING/ SUBSCRIPTION PATTERN OF USAGE**

The subscription and leasing market is poised to see growth in the forthcoming years due to multiple OEM initiatives that are now actively promoting leasing and subscription as an alternative to buying a new car. These vehicles would act as a regular supply for used vehicles in the market, thereby lowering the average ownership cycle of the vehicle. This will help buyers gain access to retail-worthy inventory, as these leased or subscribed vehicles are disposed in the market at the end of the tenure (generally 3 years).

## **BANG SAYS THE BUCK**

### **THE INVESTMENT TRAIN – \$1BN IN INVESTMENTS IN THE USED-CAR INDUSTRY IN THE PAST 5 YEARS**

Looking at the immense potential in the pre-owned car market in India, there have been significant investments made to the tune of \$1bn in the past 5 years. This has helped organise parts of the used-car industry – especially the supply side, which has led to the shrinking of informal channels. Due to digital payments, and facilitating of registration for used cars along with GST applicable for the buying and selling of used cars, the pre-owned car continues its journey towards organisation.

# VALUE CHAIN OF THE USED-CAR INDUSTRY

*“With multiple stakeholders turning the wheel of the used-car industry, there are three types of value chains that are currently operational: Direct, Dealer-led, and Institution-led, with each playing a critical role in keeping the wheel moving.”*

**T**he value chain in the used-car market is currently complex, inefficient, and unwieldy. But the good news is, it is evolving faster than ever. Apart from the buyer and seller, there are multiple stakeholders involved in the process, which makes it fragmented and difficult to organise as significant coordination is required to ensure a used-car transaction flows from seller to buyer.

Technology is now playing a key role in bridging this gap between the multiple stakeholders involved.

In a typical transaction of a used car, the car owner sells the car via online classifieds or other digital portals, or a dealer/ broker. In some cases, the seller sells the vehicles directly to friends and family.

Depending on the condition of the car, it is then refurbished and sold in the market by the dealer/ broker, who, in turn, marks up the value and sells it to the final consumer - a used-car buyer.



## SUPPLY IS KING IN THE VALUE CHAIN

**T**he value chain in the used-car industry is defined by the sources of supply. There are currently four sources through which a used car is available in the ecosystem:

- (1) Individual sellers selling directly to individual buyers/ brokers/ dealers
- (2) Individual sellers exchanging their pre-owned cars for new cars at new-car dealerships
- (3) Institutions like leasing companies or fleet owners
- (4) Repossession by banks or NBFCs for a default of loan repayment of the asset

The first source largely drives the C2B (consumer to business) and the C2C (consumer to consumer) business. The C2B business includes selling to brokers/ dealers or exchanging used cars for new cars at dealerships, which constitutes the dealer value chain. An individual seller can also choose to directly sell to another customer by listing their vehicle on any online classifieds portal or selling it to friends or family. This is the C2C aspect of the business and forms the direct value chain.

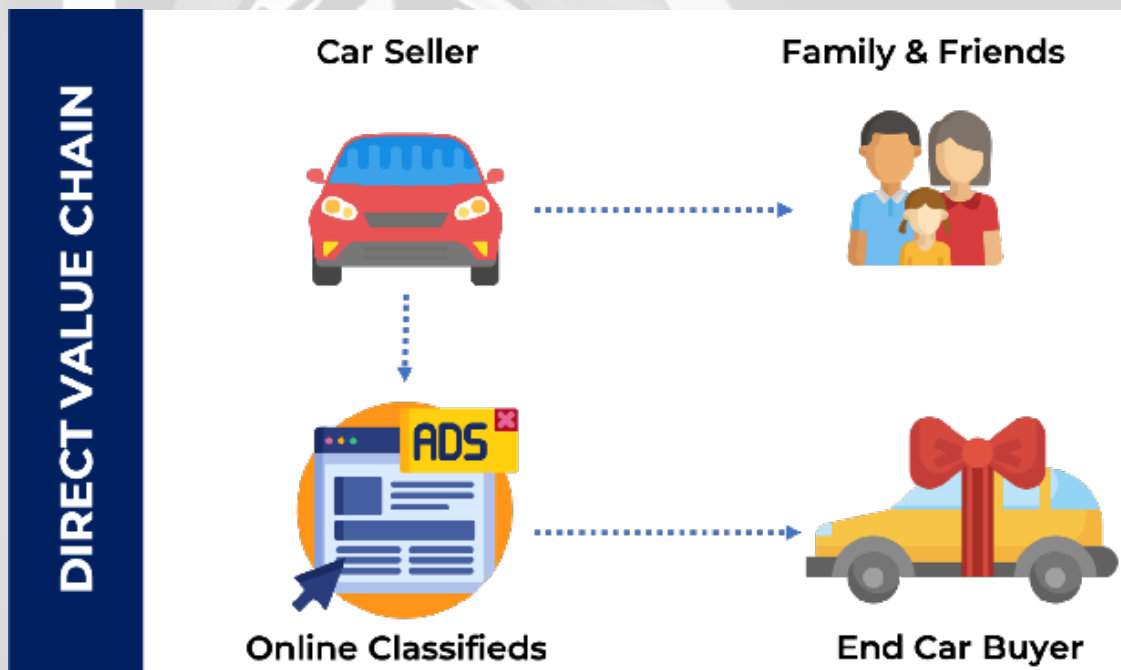
The current status of the industry is that individual sellers continue to dominate the supply of used cars, and are a critical piece in driving both the dealer value chain and the direct value chain.

The institutional value chain includes vehicles that are repossessed by banks and NBFCs, or vehicles that are sourced from leasing companies after being used in fleets or leased by corporate employees. The next section explains these value chains in further detail.

*The various aspects of the institutional used car market has been covered in detail in the latter section of the report.*

## DIRECT VALUE CHAIN

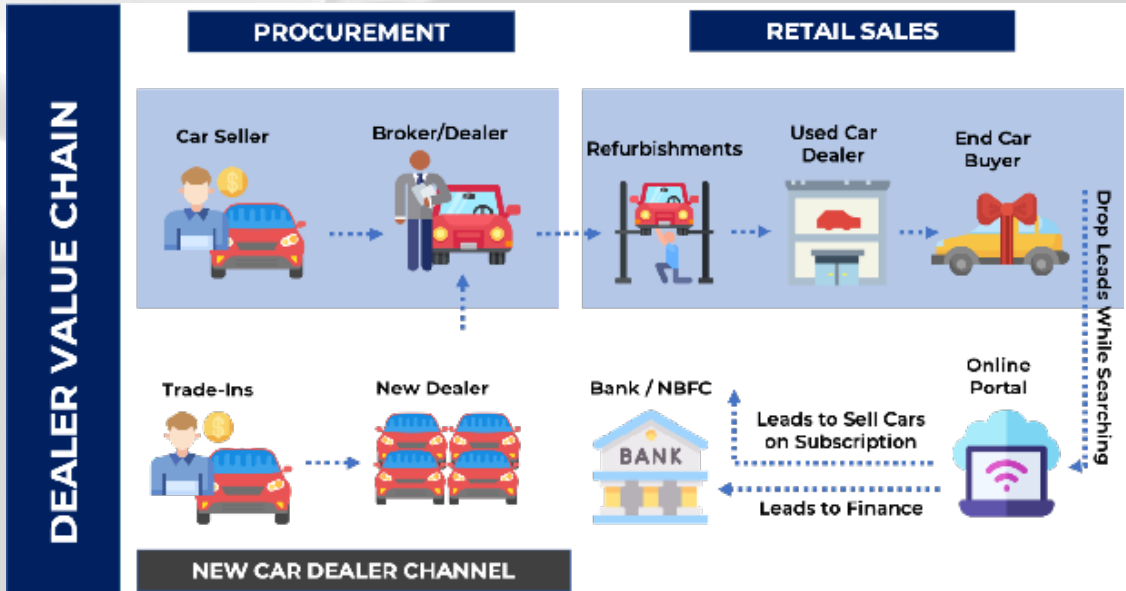
**T**he direct value chain has been the cornerstone of the pre-owned car market in India. Prior to any organisation of the pre-owned car industry, the seller would usually look for buyers from within their friends and family or acquaintances to sell their car. This channel continues to play a key role in the market; however, options to sell the car have expanded with the advent of technology.



In the direct value chain, the car seller can choose to sell to friends or family, or can list their vehicle on any online classified platforms (eg: Quikr, OLX, sections of cardekho, carandbike), which is visible to used-car buyers who are looking to purchase a vehicle. This value chain is simple and direct, but is plagued with challenges like transparency on the condition of the vehicle, and inefficient price benchmarking.

# DEALER VALUE CHAIN

*The dealer value chain can be broadly mapped into two buckets – procurement of vehicles, followed by retail sales of the vehicles.*



## PROCUREMENT:

The procurement of used cars in the dealer value chain has two sources – procurement through individual customers who want to sell their used cars, or procurement through new-car dealers where the customers are exchanging their used cars for new ones.

These vehicles procured are in turn sold to a broker or another dealer through an organised or unorganised channel. When the vehicle passes through an organised channel it undergoes inspection with the assistance of car inspection and valuation platforms (like Autoinspekt) that specialise in the pricing assessment of the vehicle to ensure that the vehicle is fairly priced in the market. The vehicles then go into an auction platform (like eDiig) where the retail dealers bid on and procure these vehicles.

## **RETAIL SALES:**

Post the procurement of these vehicles, the dealer refurbishes the vehicles to make them retail-ready before having it available for sale at their showrooms or listing them on their website or third-party platforms that they have a tie-up with. The end customer – the car buyer, usually connects with the dealer via walking into the showroom or discovers the dealer listing on one of the listing platforms or via brand website in cases of dealers organised under Mahindra First Choice or Maruti True Value. While the end buyer and dealer interact to discuss pricing and other relevant details pertaining to the vehicle, additional services of insurance and loans for the vehicle are offered by banks/ NBFCs to facilitate the sale of the vehicle to the end user. In most cases, dealers belonging to the organised channel have empanelled vendors for insurance and loans to ensure a complete set of services is offered to the customer to facilitate the sale.



# INSTITUTIONAL VALUE CHAIN

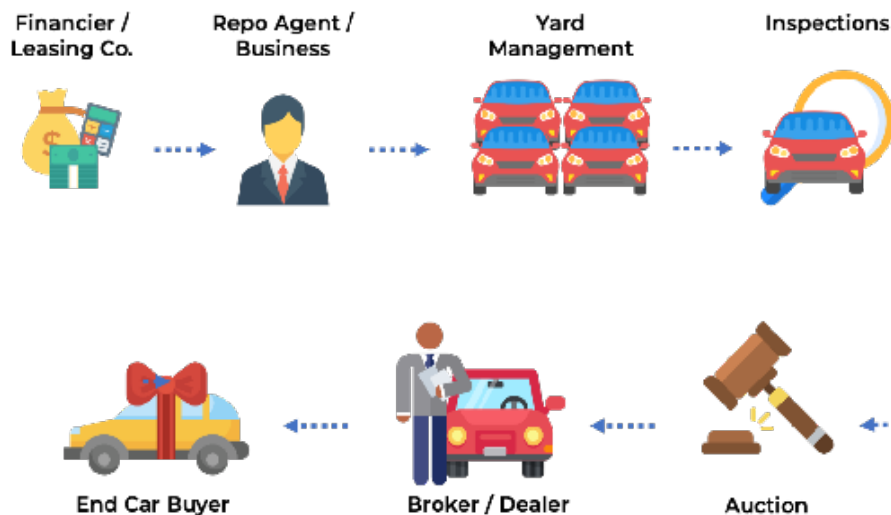
**W**ith growing default rates on loans taken for the purchase of new and used vehicles along with improving traction in the fleet and leasing space, the institutional value chain has gained prominence in the entire landscape of supply of vehicles in the pre-owned car market in India. It currently accounts for 10% of the supply in the pre-owned car market in the country. This value chain is critical to the supply chain, because the age of most repossessed vehicles are retail-worthy and, in turn, drives demand for used cars in the market.

## PROCUREMENT:

All vehicles in the institutional value chain are procured either through repossession i.e. loans that are declared as NPAs for vehicles, or selling of cars that have reached their end of tenure from leasing companies or fleets. Due to the low penetration of leasing companies in India, which currently stands at about 20,000 to 30,000 vehicles per year, the repossession channel becomes a major contributor to the supply of vehicles, which contributes to 85% of the overall supply pie from the institutional market.

In the case of loan defaults, the car is procured by the repossession agent of the NBFC/ bank and is then stored in the yard along with an empanelled dealer/ business that ensures the condition of the car does not deteriorate and the quality of the asset is maintained until it is off-loaded to the retail dealer network or smaller, hyper-local used-car brokers.

## INSTITUTIONAL VALUE CHAIN



### RETAIL SALE:

The procured vehicle is inspected by experts (mechanics, businesses) to assess the condition and provide an estimate of the fair price along with the refurbishment required to fetch the maximum price for the vehicle. There are a handful of organised players in the Indian market specialising in the assessment of vehicle condition, providing a credible valuation and finally, conducting auctions at scale where regional dealers or brokers can bid on these vehicles to add them to their inventory and, in turn, sell them to used-car buyers with products of warranty and service baked into the price of the vehicle.

# THE SUPPLY SOURCE CONUNDRUM

**T**he new-car industry has a complex relationship with the used-car industry, and is a critical source of supply via trade-ins from new car dealers.

For franchisee dealers in the USA, about 65% of the supply of used cars happens through the trade-in of new or used cars, and 26% is facilitated by auctions. This amounts to 90% of the entire supply of used cars reaching franchised dealers via an organised supply source. For independent dealers in the USA, about 40-50% of the supply is attributed to auctions, while intra-dealer exchange for inventory accounts for 20-40% of the overall pie.

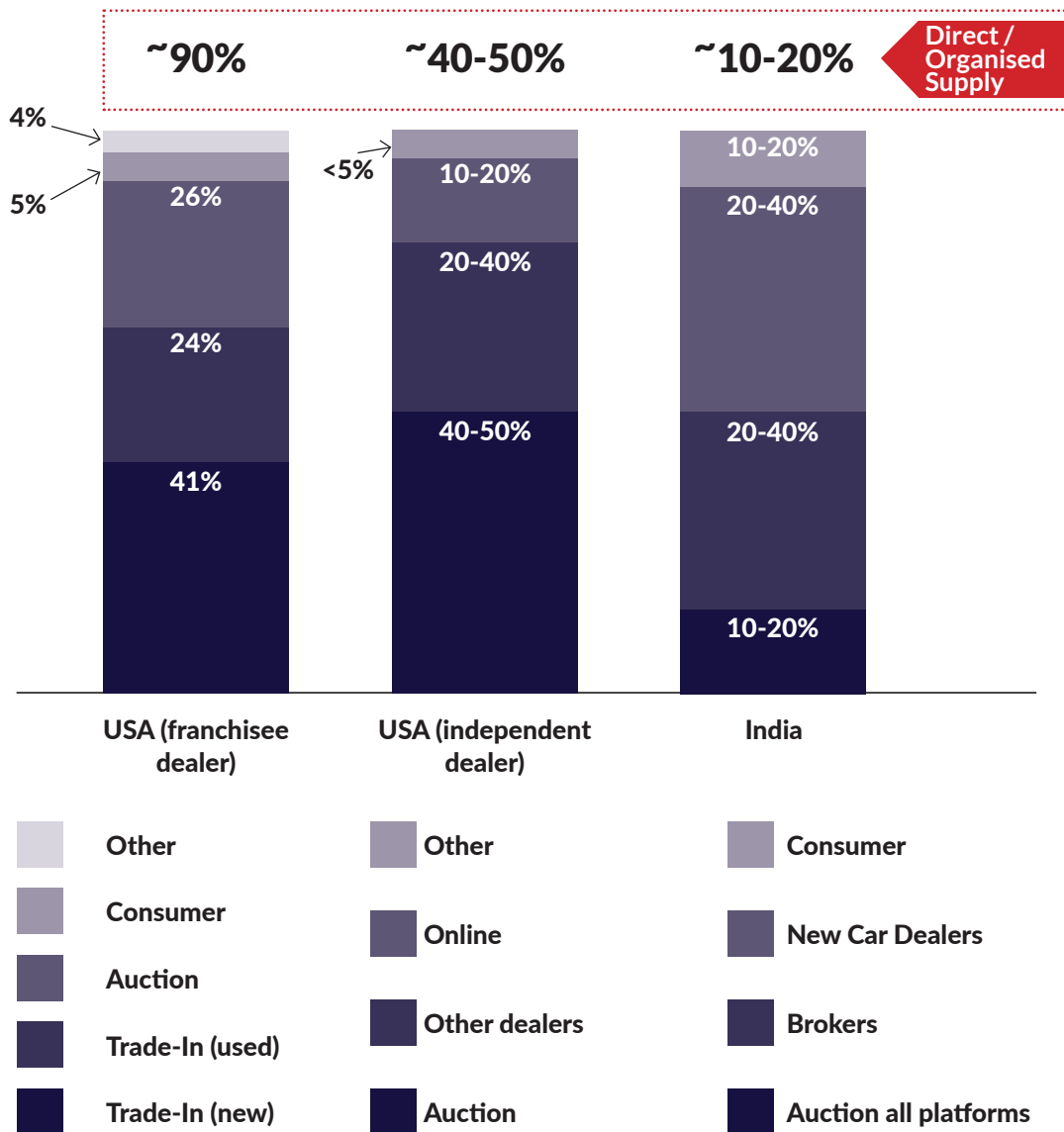
In India, the supply source is still largely unorganised, with only 10-20% of the entire used-car supply coming through the route of auctions. Brokers comprise 20-40% of the share

to supply used cars to the market while new-car dealers supply 20-40% of the inventory for the used-car market. There is a lot of room to organise the supply route and the share of auctions will continue to increase due to the increased adoption of organised channels by customers looking to sell their vehicles.

## STRUCTURAL CHALLENGES IN INDIA

- \* Longer replacement cycle for cars at ~4.5 years (US: 3-3.5 yrs)
- \* Very low penetration of leasing & fleet at ~3% of new cars, hence underdeveloped wholesale supply (US: ~42%)
- \* Brokers remain a dominant part of the value chain
- \* Uncertain inventory quality due to high usage and poor maintenance
- \* Inter-state transfer of vehicles difficult; clumsy registration regulations

## Sources of supply of cars for dealers





# TYPES OF BUSINESS MODELS IN THE USED-CAR INDUSTRY

*“The complex, fragmented value chain results in a lack of trust & transparency, which impedes the growth of the industry. The organised players have adopted 4 broad approaches to address the issue of trust and transparency. It must be noted that the industry is still evolving, and the business models are adapting to ongoing changes.”*

CLASSIFIEDS

SERVICES

PROCUREMENT

RETAIL

**T**here are four major types of business models that are currently prevalent in the pre-owned car market around the globe: Classifieds, Services, Procurement and Retail.

## CLASSIFIEDS

Businesses falling under this category have become critical to bridge the gap between the buyer and seller. They enable direct C2C transactions while also allowing other key users in the industry like dealers to list their inventories on their platforms. This even includes the creation of content, lead generation, and advertising for new cars on their portals. Some of the key players operating under this business model in the international market are CarGurus.com, Cars.com, and Autotrader in the USA & UK. Similar players in the Indian market include OLX, CarDekho, carandbike, Carwale, etc.

## SERVICES

The idea of the services business is to ensure the entire process of owning, selling, and buying a used car is made hassle-free by using a suite of tech products and listings to enable the same. The services offered are organised auctions and inspections along with the determination of fair pricing and residual value of the vehicle which the user intends to buy or sell. Players operating under this umbrella also provide digital marketing services for their users in addition to getting the vehicle refurbished and managing the inventory for the user through yard management systems. COX automotive is a major player in the global market that operates under this model, while Mahindra First Choice Wheels and CarTrade are key players in the Indian market.

## PROCUREMENT

Another important cog in the wheel are the companies that focus on solving the procurement issue for dealers to ensure the supply of vehicles in the pre-owned car market. This involves buying used cars from individual customers by ensuring a transparent and convenient point of sale through digital or physical platforms and selling these cars to used-car dealers in the market. They also become a medium of trade financing by bridging the gap between financiers and dealers to help used-car dealers with their working capital requirements. Auto1.com and the Frontier Car Group are some of the major companies which operate under this model. Cars24, OLX Autos, Gaadi and Mahindra First Choice Wheels are some key players in India.

## RETAIL

For the companies involved in this business model, there is an end-to-end involvement in the entire value chain, which involves procurement of vehicles, carrying out inspection and pricing estimate using analytics, refurbishment of vehicles, and selling the vehicles to the end customer. The core users for this type of model are mainly the end consumers – individual sellers and buyers. Since the end-to-end process is carried out by the company itself, they offer warranty and after-sales service to the customer to ensure higher trust and transparency. Some of the companies under this bracket have a physical-first model like Car Max and AutoNation USA, while the other key players have a digital-first model like Carvana. Spinny operates with this business model in the Indian market.

# MARKET LANDSCAPE

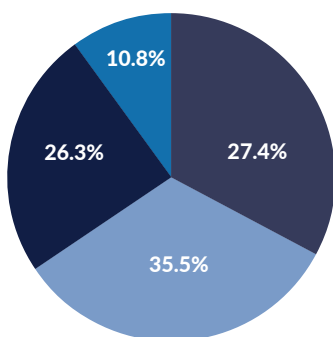
## GEOGRAPHIC DISTRIBUTION

### ZONAL SPLIT OF THE USED-CAR MARKET IN INDIA

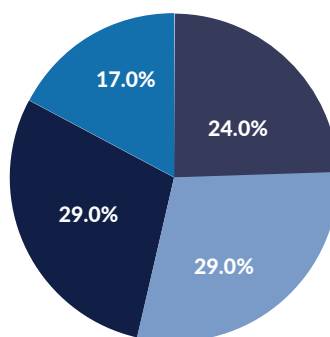
**Both North and South zone have a share of 29% each as of FY20, thereby contributing to 58% of the total volume sold in the country, while the East zone is contributing the least at 17%.**

#### ZONAL SPLIT BY VOLUME

FY16 - ZONAL VOLUME SPLIT



FY20 - ZONAL VOLUME SPLIT



NORTH  
EAST  
SOUTH  
WEST

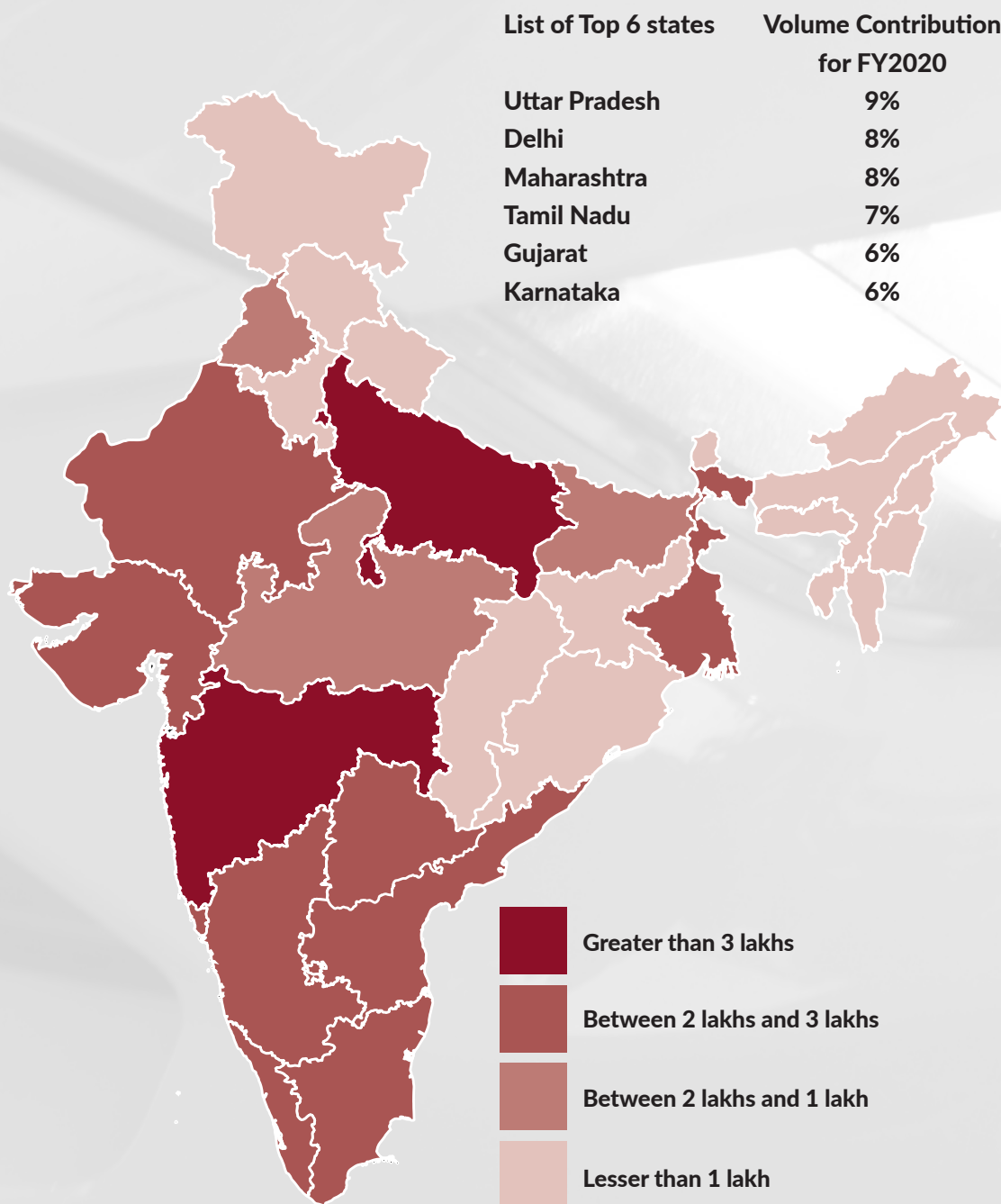
**W**ith the vast geographic expanse and unequal distribution of supply and dealer networks across the country, used-car sales by volume are not evenly distributed across the four zones. In the past few years there has been a shift in the zonal volumes with North, West and South taking the major chunk. The East is still some distance behind in terms of volumes for pre-owned car market in India. NCR in specific is driving major volumes in the North, while it's more evenly spread among various states in the West and South.

The North zone still contributes the maximum share of total volume in the pre-owned car industry at 29% as of FY20; however, this has come down from 35.5%, which it held in FY16. The contribution of the East zone has gone up from 10.8% to 17%. The South zone also continues to be a major contributor, with an increase in total volume share from 26.3% in FY16 to 29% in FY20. The West continues to hold a share of about a quarter of the market in terms of total volume.



# STATE-WISE VOLUME CONTRIBUTION IN THE USED-CAR MARKET

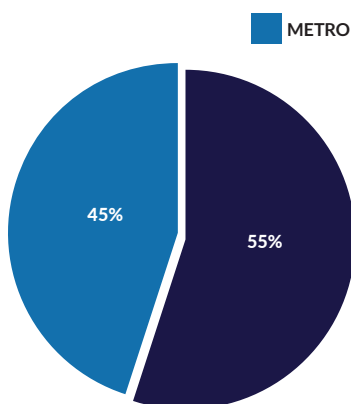
**“ The top 6 states contribute to 44% of the total volume in the pre-owned car market in the country as of FY20.**



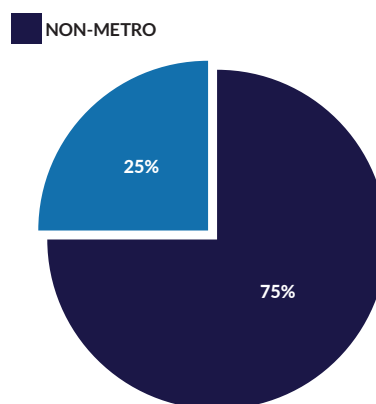
## METRO V/S NON – METRO SPLIT

*The heartland of the country – Tier 2 and Tier 3 cities – have become critical in driving volumes for the pre-owned car market. The percentage contribution of non-metro areas to the total volumes has increased by 20% between FY17 and FY20.*

FY17 - METRO V/S NON-METRO VOLUMES



FY20 - METRO V/S NON-METRO VOLUMES



**T**here has been a major shift in the geographical split of the demand for pre-owned cars. With higher disposable incomes available and rising aspirations of the country's heartland, non-metros contribute a significantly higher portion to the pie as compared to previous years. Internet adoption and the rise of large online car portals have increased awareness and trust of pre-owned cars among Tier 2 and Tier 3 audience.

In FY17, of the entire pre-owned

car market, 45% of the market volume was concentrated to the metro areas of the city. However, in FY20, their share of contribution has decreased to 25% while the non-metro share has increased from 55% to 75% in the same timeframe. This is due to an increase in the number of used-car dealers in non-metro areas along with easier access to digital platforms to buy a used car. Non-metro cities like Patna, Agra, Guwahati, Ranchi and others have driven demand from the heartland.

# INDUSTRY STRUCTURE CHANNEL LANDSCAPE

**“ The number of transactions through the organised channel has more than doubled in the past decade. It stood at 10% in FY11 v/s 21% in FY20. Secondly, the organised and semi-organised sectors now account for almost half (48%) of all transactions in the pre-owned car market in India.**

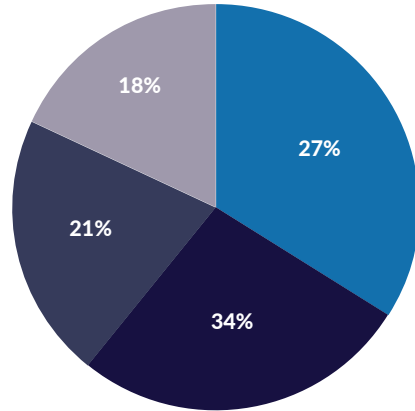
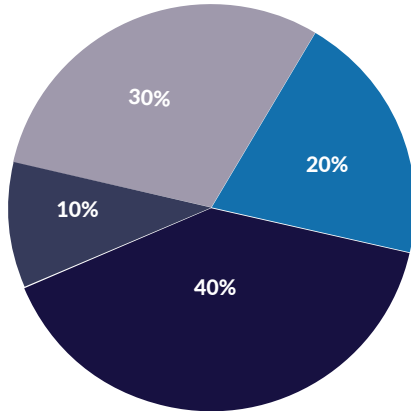
**T**he shift in the landscape of the industry over the past decade indicates that the used car market continues to move towards the organised route. The organised channel share has more than doubled, growing from 10% in FY11 to 21% in FY20.

The C2C channel still holds a majority of 34% of all transactions in the used-car industry. However, this has dropped from the 40% share that it held in FY11. The share of transactions through the unorganised channel has significantly dropped from 30% in FY11 to 18% in FY20. This indicates that a considerable number of transactions have shifted from the C2C and unorganised channels to organised or semi-organized channels.

## CHANNEL SPLIT IN THE USED-CAR INDUSTRY

FY11 - CHANNEL SPLIT FOR TRANSACTIONS

FY20 - CHANNEL SPLIT FOR TRANSACTIONS



ORGANISED
  SEMI ORGANISED
  UNORGANISED
  C2C

**A**part from the increasing share of organised and semi-organised channels in the last decade, they continue to act as critical bridges in enabling transaction closure between C2C platforms and unorganised dealers. With increasing access to digital listings, and an increasing number of dealerships in the organised and semi-organised channels, the used-car industry is on its way to becoming organised.

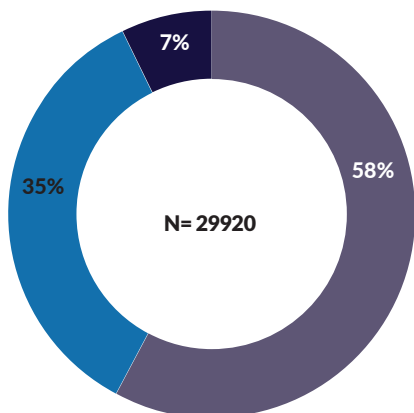


# DEALER COMPOSITION IN INDIA

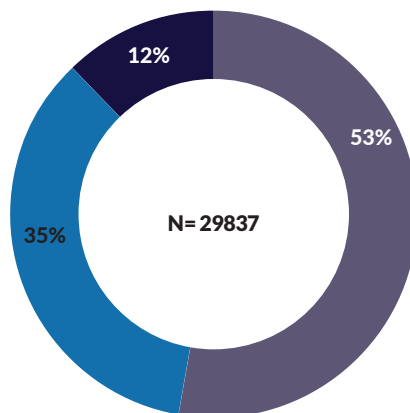
*The composition of used-car dealers in India has gravitated towards the organised segment. While the overall dealer count has remained flat, between FY16 and FY20 there has been a 5% increase in the number of organised dealers in India, which translates to a CAGR of 14% in the same timeframe.*

## TYPES OF USED CAR DEALERS IN INDIA (COMPARISON F-16 V/S F-20)

FY16 - DEALER COMPOSITION IN INDIA



FY20 - DEALER COMPOSITION IN INDIA



ORGANISED
  SEMI ORGANISED
  UNORGANISED

**W**hile the dealer count in India between the years FY16 and FY20 has essentially remained flat, the composition of dealer networks has seen a trend towards the organised dealer channel.

In the year FY16, only 7% of used-car dealers fell under the organised category; in FY20, their share of the pie has increased to 12%. This translates to a CAGR of approximately 14% in the organised dealers count in India over the same timeframe.

A majority of the influx of organised dealers has come from dealers who are upgrading from unorganised or semi-organised channels. Moving ahead, with improving economic conditions and greater demand for used cars in the Indian market, the share of organised dealers in the composition of the dealer network will continue to rise. This shift will be further propelled because of the impact of technology and increased penetration of finance in the used-car industry, giving an extra incentive to dealers to adopt the organised route of operation.

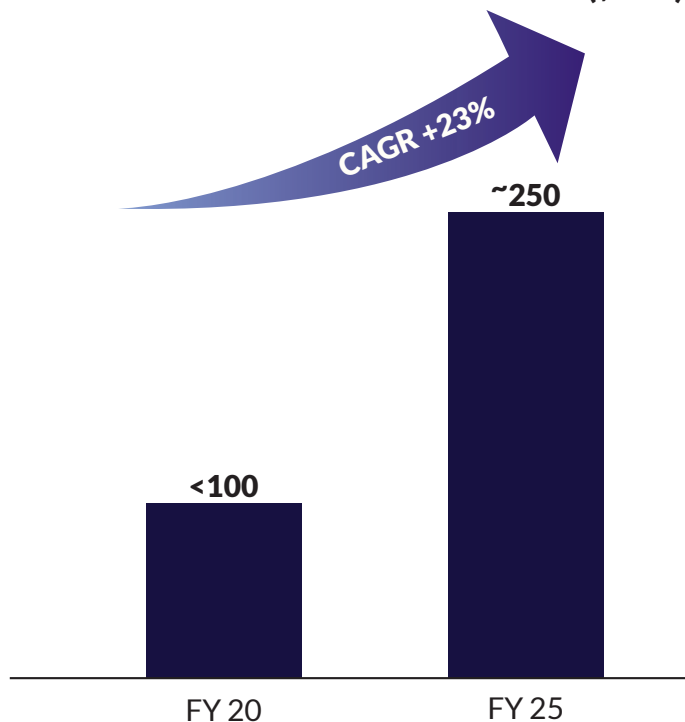
*Organised dealers operate out of showrooms akin to those of new car dealers.*

*Semi-organised dealers operate out of a physical place of business such as a garage or mechanic shop.*

*Unorganised dealers are "brokers" or "commission agents" with no physical place of business.*

## IMPACT OF DIGITAL

**DIGITAL SPEND BY CAR & BIKE OEMS (\$ MN)**



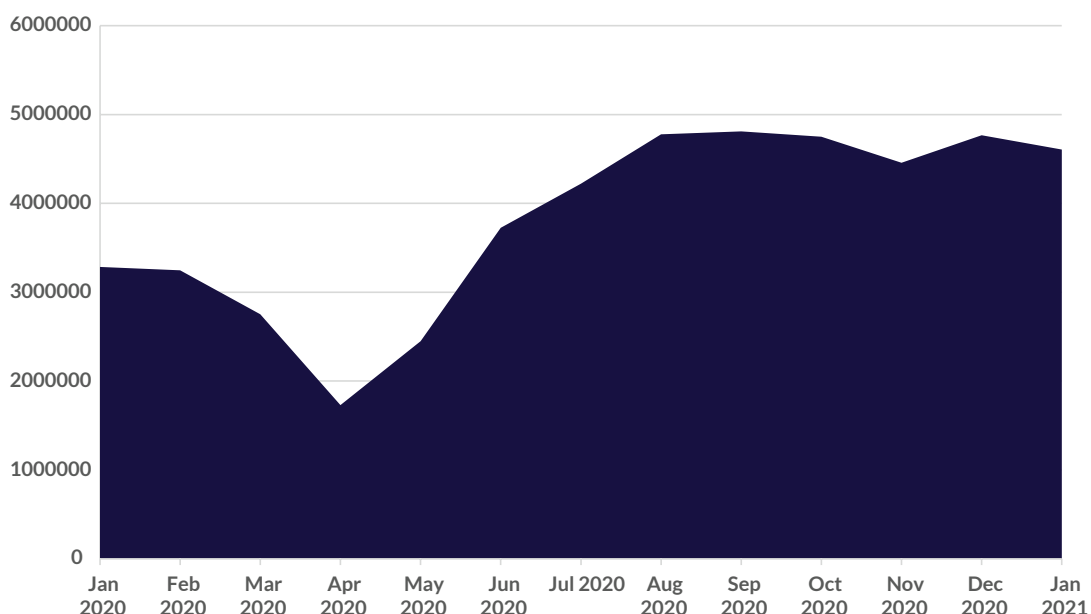
**O**EMs have also recognised the huge opportunity that digital provides in creating awareness among consumers, and have started upping their spending on digital platforms. The digital spend by OEMs is forecasted to grow at a CAGR of 23% for the next 5 years – ~\$250mn in the year FY25 from the current <\$100mn in FY20.

# IMPACT OF DIGITAL IN THE USED-CAR INDUSTRY

**Organic searches for 'used car' and other relevant keywords on digital platforms has grown by over 40% in the past year Jan'20 – Jan'21. This indicates there has been a greater pull from the customer to use digital platforms to research and enquire.**

**W**ith digital now becoming a synonymous term across industries, the used-car industry has also seen an increased adoption of digital as a medium. It plays a key role for buyers to collect details, raise enquires, compare pricing, and also carry end-to-end financial transactions on the platform.

## ORGANIC SEARCH IN INDIA ON DIGITAL PLATFORMS - USED CAR



Organic searches for used cars have grown by over 40% between Jan'20 and Jan'21 across all digital platforms in India. It stood at 3.28mn for the month of January 2020 and is at 4.6mn as of January 2021, peaking in Sept 2020 at 4.8mn.



## THE DIGITAL LENS IMPACT

Technology in the used-car industry has benefitted both sides of the coin. From a consumer lens, technology has helped alleviate concerns of trust and transparency associated with buying and selling a used car. On the other side it has also allowed dealers to connect with a higher number of buyers and sellers, thereby increasing inflow and outflow of inventory at a much faster pace with reduced bottlenecks in the process.

## THE DEALER PUSH

Two of the biggest challenges that the dealer in the pre-owned car market faces are to identify retail-worthy sources of supply of cars, and to connect with a larger number of buyers to keep the inventory moving.

With the rise in the adoption of a phygital business by dealers, they are able to procure used cars via B2B platforms that conduct bulk auctions of used cars online. This opens them to a wider base of the institutional market from which they can procure required inventory. The B2C digital platforms have increased the number of buyers that the dealer can sell their inventory to via online classifieds and third-party websites, and ensure that there is a quick movement of their inventory and working capital is freed up to acquire more used cars.

An additional benefit of the adoption of technology by dealers is that it will help increase the penetration of retail loans in the industry. With banks/ NBFCs now looking at the digital route of verification like Digital KYC and instant credit check of the customer, processing and disbursements have improved significantly over the last decade. With the dealer having a digital infrastructure in place, bundled services of warranty and insurance along with finance via multiple banks/ NBFCs can be offered to the customer, thereby increasing conversions from enquiry to sale.

## THE CONSUMER PULL

For a consumer, the biggest concern over the years before buying a used car has been issues with trust and transparency in the entire process. Consumers fear being overcharged, being sold a vehicle with pre-existing issues that might not be highlighted at the time of sale by the seller, and also might be unaware if the vehicle is currently involved in legal disputes (theft, unpaid challans and others). Technology has helped address these concerns to a great extent, as it provides higher transparency with respect to the history of the vehicle which involves RC, documentation, and NOC issuance. Also, a multi-point professional inspection of the vehicles by certified engineers ensures it is thoroughly tested and there is a lower probability of breakdown in the future.

The effort of research involved in finding a vehicle is also greatly reduced as digital platforms have become an easier alternative to compare the pricing of different vehicles and explore various options before buying a car. Digital platforms also provide a 360-degree view of the used car along with multiple photos and history of the vehicle which makes it easier for the customer to shortlist vehicles that they intend to buy.

With products of certification of the vehicle and extended warranty now becoming a pre-requisite for dealers in the organised space, this alleviates the biggest issue of lack of trust for the customer during the transaction stage.

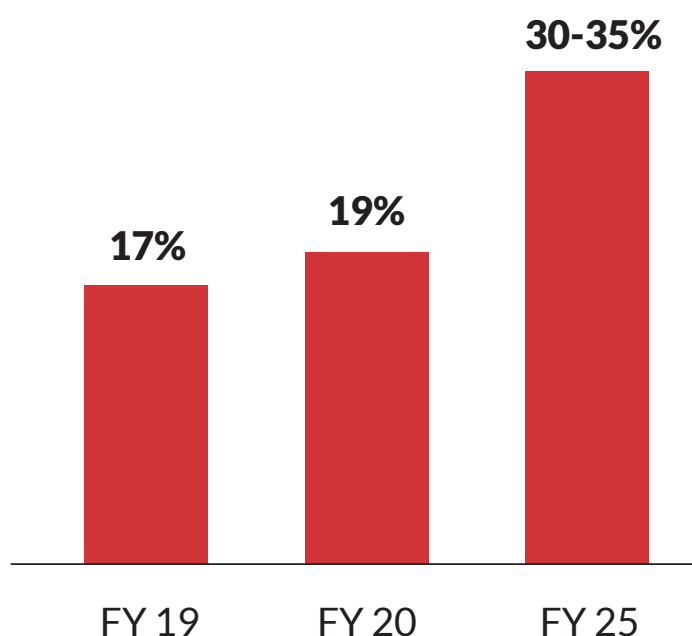
Technology will only help the used car market grow and this is not only limited to customers, but has had a major impact in improving the efficiency at the dealer end as well.

*We have discussed the impact of financing in the used-car industry in the following section.*

## IMPACT OF FINANCING IN THE USED-CAR MARKET

*The penetration of finance in the pre-owned car market in the country stands at 19% as of FY20. This is estimated to increase to 30-35% by the year FY25, thereby increasing access to capital for a consumer to own a used car.*

FINANCE PENETRATION IN USED CAR MARKET



Financing in the pre-owned car market is still largely underpenetrated. While this number stood at 17% for FY19, it has marginally increased to 19% as of FY20. However, with increased adoption of digital and bundling of finance products with a used car at the point of sale along with the increased organisation of the industry, this is expected to grow to 30% by the year FY25, which will also be a key reason for an increase in volumes in the pre-owned car market in India.

## EXPERTS VOICE ON FINANCE MARKET

**T**o better understand the used-car market, we have conducted primary research with multiple financiers in the used-car market. Below are some of the key qualitative insights, which capture the current and future trends of used-car financing in the industry.

### OPINION ON MARKET OVERVIEW

Financiers are bullish on the overall outlook of the used-car industry, and almost all of them unanimously feel that the industry has grown steadily over the past few years. This growth can be attributed to the growth of organised and semi-organised sectors. The revision of the GST rate on used cars from 28% to 12 - 18% is also acting as a driver in the market. Additionally, as the Indian auto industry entered BS6 era from April 2020, the value proposition of used cars has grown stronger, as new cars are expected to become more expensive due to additional technology costs. This, coupled with the pollution norms set in cities like Delhi, is likely to have a further positive impact on the used-car market.



## **FINANCE PENETRATION**

The current finance penetration in used-car space stands at around 20%; much lower than new-car finance, which is upwards of 75%. But these ratios are expected to change significantly with a lot of car OEMs now shifting focus on used-car trade.

Some of the reasons for low finance penetration are:

- \* Lack of awareness and option available
- \* High interest rates
- \* High number of unorganised/ C2C transactions
- \* Lengthy and cumbersome paperwork

## **THE BOTTLENECK - HIGHER FINANCING RATE THAN IN THE NEW-CAR MARKET**

The financing rate for a used car is almost 300 to 500bps costlier than a new car. This itself acts as a deterrent for many consumers who eventually go for lower-interest options like Personal Loan/ CC Limits et al. Because of a lack of awareness on available options, informal mode of finances also attract higher interest rates, thereby making the deal unviable.

## THE ENABLER - DIGITISATION OF LOAN PRODUCTS FOR USED CARS

While it is believed that digital is gaining ground for the future business ecosystems most of the financiers do not have an end-to-end digitized product for used cars at this point. Online used-car platforms have given a huge push to the overall growth of the industry, and have facilitated easy buying and selling for a better customer experience. Some of these platforms have also ventured into the finance business. This trend is likely to create new financing model for used-car purchases.

## FUTURE OUTLOOK ON FINANCING IN THE USED-CAR MARKET

- \* Overall awareness of used-car finance will be enhanced.
- \* As the industry matures and more and more organised players operate, finance penetration will also get a push.
- \* More organised financiers will start to provide a pre-approved loan towards purchase of used cars.
- \* Possible creation of a central repository where the financial health data of consumers can be easily sourced. As of now, financiers have to rely on bureau data which in most cases tends to be incomplete and takes time to obtain.
- \* One positive step appreciated by financiers is Vaahan, via which one can check vehicle details online. This needs to be strengthened further to get all vehicle data; right from age of the car to the number of hands it has changed.

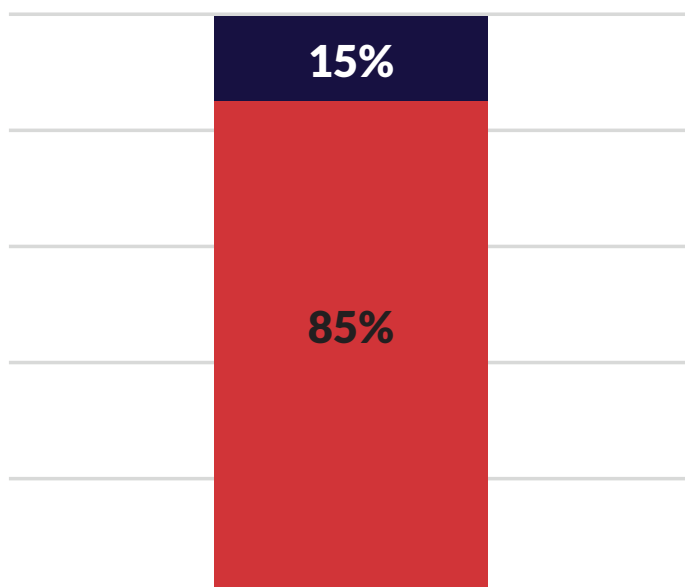
# THE INSTITUTIONAL MARKET FOR PRE-OWNED CARS IN INDIA

**“The institutional market currently accounts for 10% of the total volume in terms of supply in the pre-owned car market in India, and is poised to gain even more share with growth in channels of leasing and fleets.”**

**T**he institutional market in India comprises three major divisions: the first being banks and NBFCs, the second being leasing companies, and the third being fleet owners (corporates, fleet operators, governments, etc.).

## INSTITUTIONAL MARKET COMPOSITION

■ BANK/NBFCs ■ FLEET & LEASING



Composition

**M**uch of the institutional market in India is dominated by banks/ NBFCs, which comprise 85% of the market. The remaining 15% of the market is formed by leasing and corporate fleets. The institutional market in India currently contributes to 10% of the total supply volume of pre-owned cars in India, and the disposal of these vehicles is done through organised and unorganised auctions via the value chain which has been discussed earlier in the report (*Section 3*). The institutional market is positioned to continue to grow, with an estimated growth rate of 12-14% till FY25. We will be exploring the key drivers in the next section.



## KEY DRIVERS OF GROWTH

**“** *The trifecta of increased sale of cars, greater penetration of finance, and higher adoption of leasing and fleets, would be key drivers for the growth of the institutional market.*



### INCREASED SALE OF CARS

As normalcy will start to find its way in the post-COVID-19 era, the demand for cars will increase, which would result in a greater contribution to the institutional market.



### GREATER PENETRATION OF FINANCE

With the penetration of finance in the used-car industry expected to rise to 30% in FY25, this would mean a larger number of cars. This would mean that there would be an increased number of pre-owned cars under the purview of banks/NBFCs.



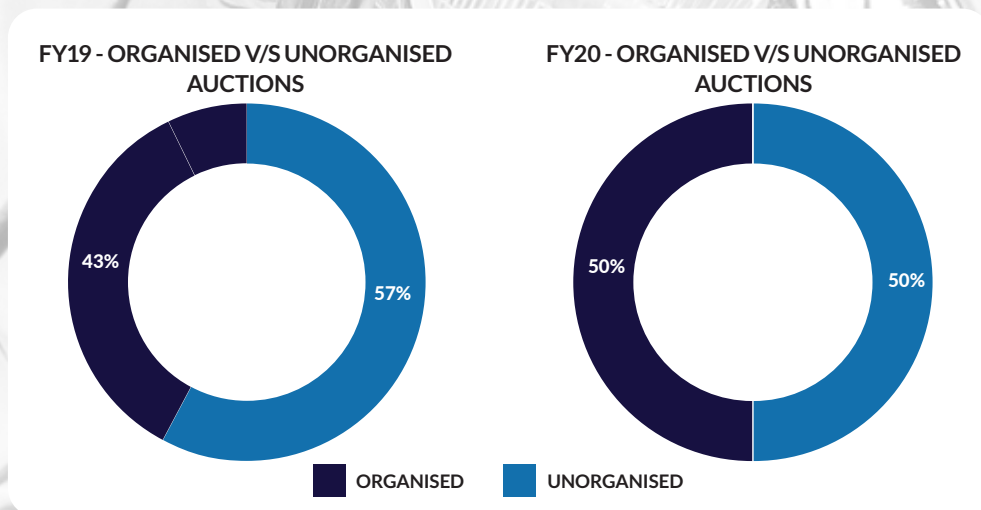
## HIGHER ADOPTION OF LEASING, SUBSCRIPTION, & FLEET SERVICES

With leasing being at a very nascent stage in the country, multiple OEMs and leasing companies are aggressively promoting leasing or subscription as a viable option to the customer. The leasing market is ready to take off, and is expected to grow at a CAGR of 15% till FY25.

**A**t the end of the lease or subscription term, the leased cars would fall under the umbrella of the institutional market via the route of auctions to ensure that the companies get maximum residual value for the used asset, and a similar approach would be adopted by the growing corporate fleet market.

# SHARE OF ORGANISED V/S UNORGANISED AUCTIONS IN THE INSTITUTIONAL MARKET

*The share of organised auctions for repossessed vehicles grew by 7% between FY19 & FY20. Currently, half of the auctions in the country are carried out through the organised route. This share will continue to grow as it helps clients get a better price realisation and a hassle-free selling experience.*



**U**norganised auction is defined as the repossessed inventory that is sold directly by the bank. On the other hand, organised auctions are conducted by auction platforms that try to ensure better price realisation for banks/ NBFCs by giving greater access to dealers who would want to acquire vehicles for their inventory. The share of organised auctions is increasing year-on-year as the process is more transparent and easier for financiers to comply with laws. The share of organised auctions currently stands at 50%; however, the unorganised auction market is still as high as 50% due to unsold inventory in the organised auctions.



## CHAPTER 2

# THE VOICE: WHERE THE RUBBER HITS THE ROAD

*As part of the 2021 IBB carandbike Report, we have conducted first-hand interaction with used-car buyers, sellers, in-market audience and used-car dealers as well, to capture the sentiments of these segments of the industry.*





# THE BUYER

**EXPANDING HORIZONS OF OPTIONS AND TRUST**

# THE PRE-OWNED CAR BUYER

**“ A large portion of the respondents are first-time car buyers, and a majority of them have graduated from a two-wheeler. Affordability is the key reason cited for buying a used car. Most people who bought a 4-wheeler for the first time fall in the 7 – 10 lakh income range.**

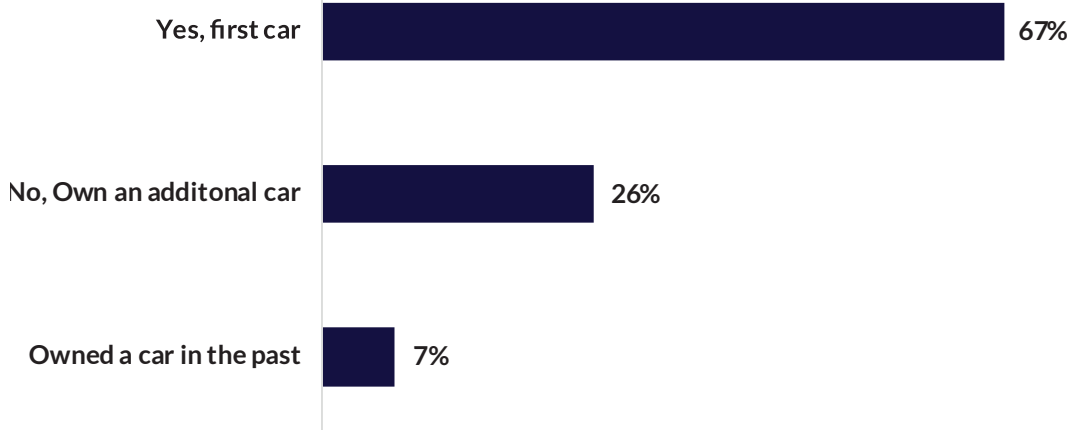
## OWNERSHIP & COMMUTING HISTORY

**2** out of 3 respondents said that this is the first car in their household, which clearly establishes that a used car acts as a feasible mode of entry for owning a 4-wheeler. These ratios are fairly similar across classes of Tier 1, Tier 2, and Tier 3 cities.

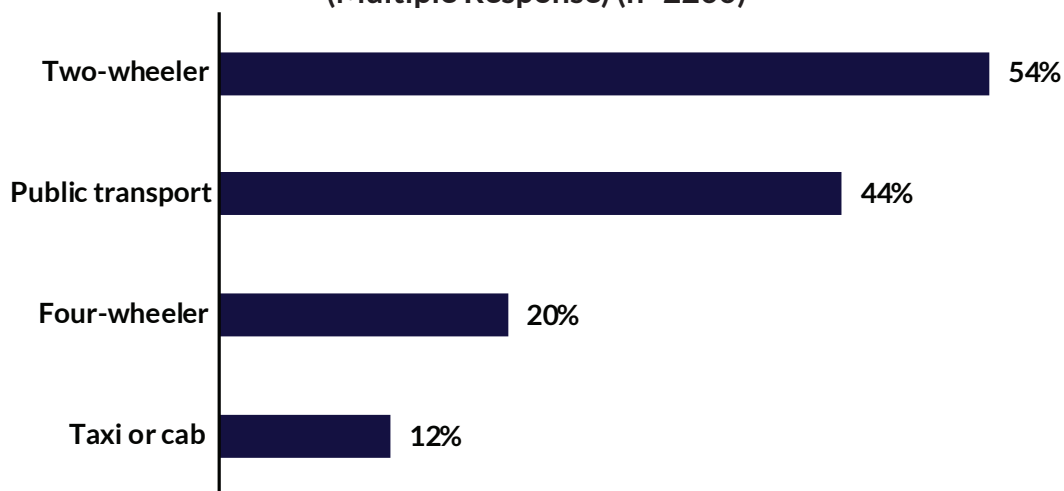
Among consumers who bought hatchbacks, in the case of 76% of respondents it was their first 4-wheeler purchase. This was higher than all other vehicle categories. Buyers who already own a car are in a higher disposable income bracket and have preferred SUVs for their additional car purchase.

### Vehicle Ownership History

(n=2200)



## Ways of commuting before buying the used car (Multiple Response) (n=2200)



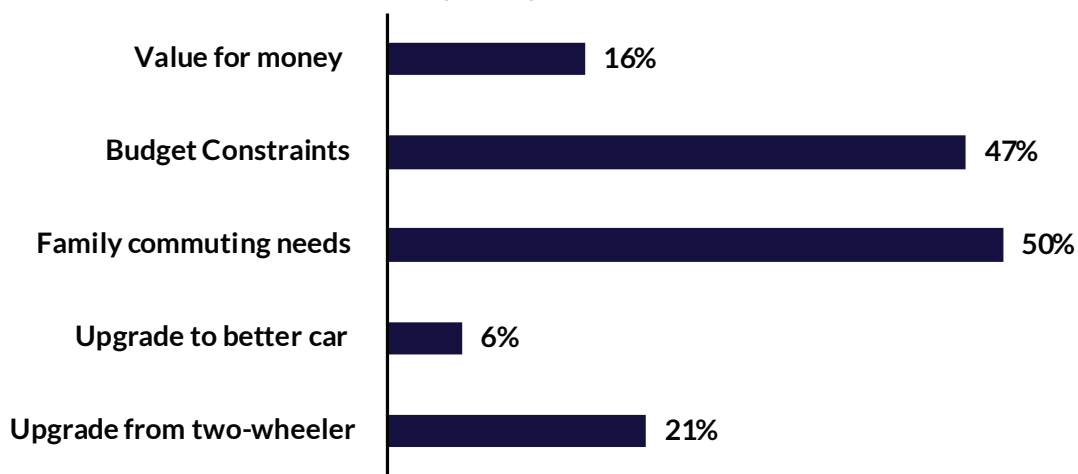
**O**f all consumers who bought pre-owned cars, 54% were 2-wheeler owners. Clearly, users are upgrading from a 2-wheeler to a 4-wheeler and moving up the value chain, which has been a traditional movement. These upgrades from 2-wheeler to 4-wheeler are a lot more inherent in Tier 3 consumers from cities like Gwalior, Madurai, Trichy, and others.

The other big section of the audience looking to purchase used cars are the consumers using public transport. This trend is higher in Tier 1 cities as compared to Tier 2 and Tier 3.

## KEY REASONS TO BUY A USED CAR

### Key Reasons for purchase

(Multiple Response) (n=2200)



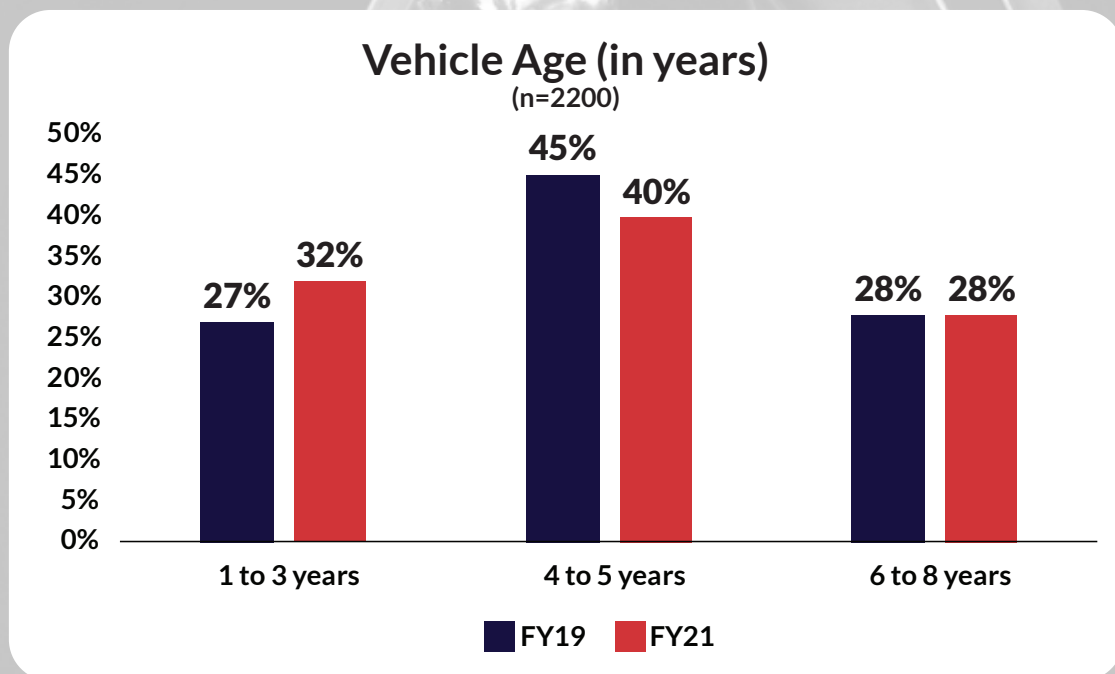
**T**he key reasons motivators for purchase of a used car are budgetary constraints and the requirement of a 4-wheeler for family commuting needs. Apart from this, 21% of buyers bought a pre-owned vehicle as they aspired to upgrade from their 2-wheeler. 16% of buyers felt that used cars give them good value for money.



## CAR PROFILE

**“** The average age of the vehicle bought currently stands at ~4.5 years. 72% of the cars preferred are less than 5 years of age.

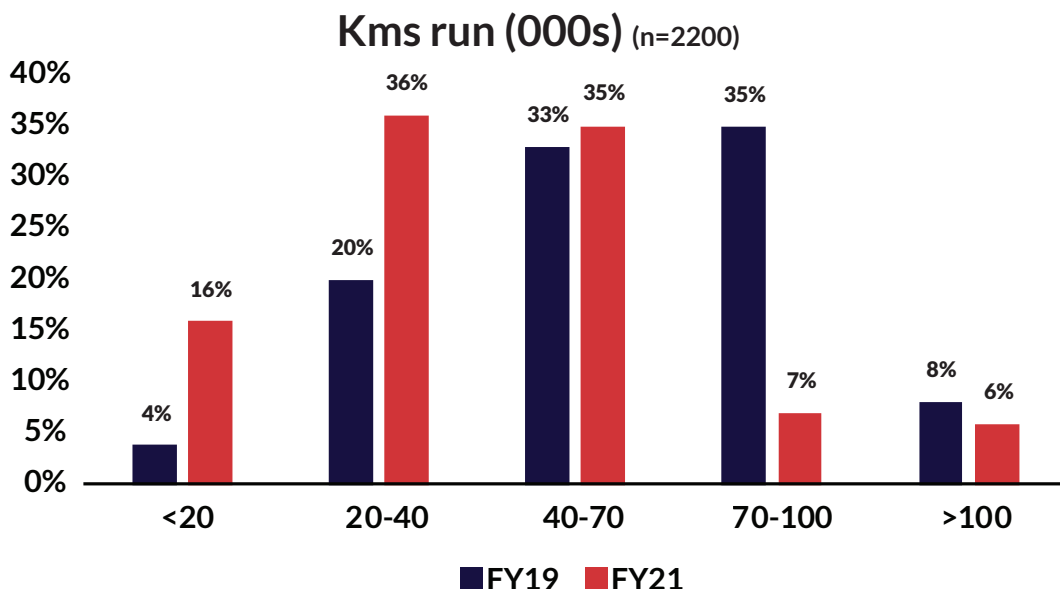
## AGE OF THE VEHICLE



**B**uyers are gravitating towards buying vehicles with lower vehicle age. The number of vehicles bought that are less than 3 years old has increased by 5% between FY19 and FY21 and currently stands at 32%.

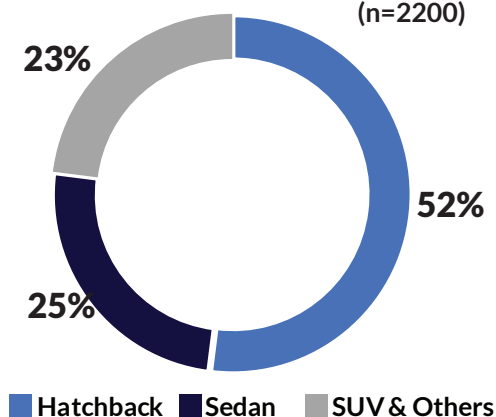


## KMS RUN AT THE TIME OF PURCHASE



**52** % of cars purchased by buyers have run under 40,000 kms at the time of purchase. This number stood at 24% for FY19, signifying that buyers prefer to buy vehicles that haven't been used extensively and are in a relatively good condition at the time of purchase. Only 6% of buyers have bought vehicles that had crossed 100,000 kms at the time of purchase.

### Segment of car purchase (n=2200)



### SEGMENT PROFILE

**O**ver 77% of pre-owned car purchases comprise hatchbacks and sedans. This is comparable to FY19, where hatchbacks and sedans comprised 75% of the market. SUVs comprise 20% of pre-owned car purchases.

## KEY CONSIDERATIONS WHILE PURCHASING A USED CAR

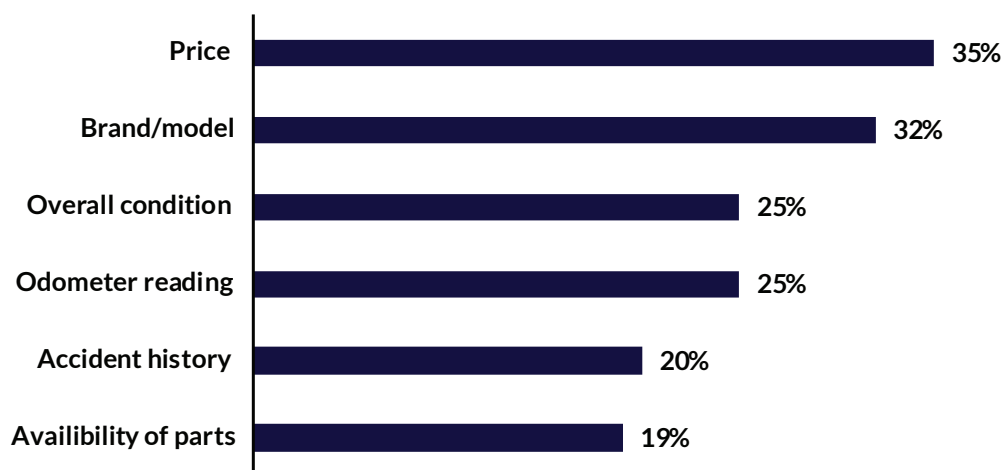
**“ The price of the pre-owned car coupled with the preferred brand still remains the key consideration while purchasing a used car. This is followed by the condition of the car (the exterior/ interior look) and the kilometres driven, which, together, are a function of usage and overall condition of the car at the time of purchase.**

Overall, 35% of respondents primarily look at the price of the car, and 32% attach importance to the make/ model of the car, followed by 25% who feel the overall condition of the vehicle is important. About 20% of customers who bought a vehicle were concerned about accident history and availability of parts for the car model.

Governed by affordability, buyers are steadfast about the budget and make/model, and usually look for options that fall into this set criteria. The key considerations while purchasing a pre-owned car are still the price and the availability of the preferred make and model. This has remained the same across studies in 2009, 2019, and now in 2021, and is likely to remain the same for years to come.

### Key Considerations for Purchase

(Multiple Response) (n=2200)

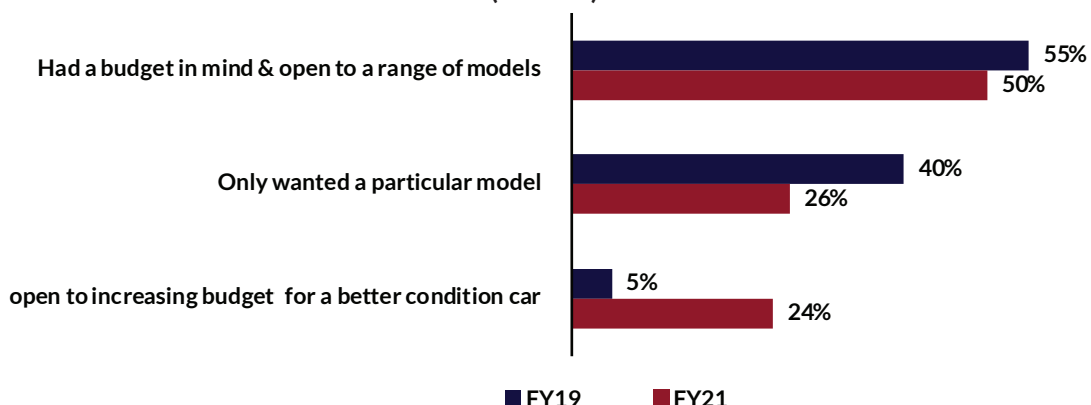


# CRITICAL FACTORS WHILE CONSIDERING THE PURCHASE OF A PRE-OWNED CAR

*Customers from Tier 1 and Tier 2 cities are more open to increasing their budgets for a pre-owned car in better condition as compared to customers who reside in Tier 3 cities. Consumers are no longer fixated on a particular make and model and do not mind extending their budgets.*

## Critical factors while considering purchase

(n=2200)

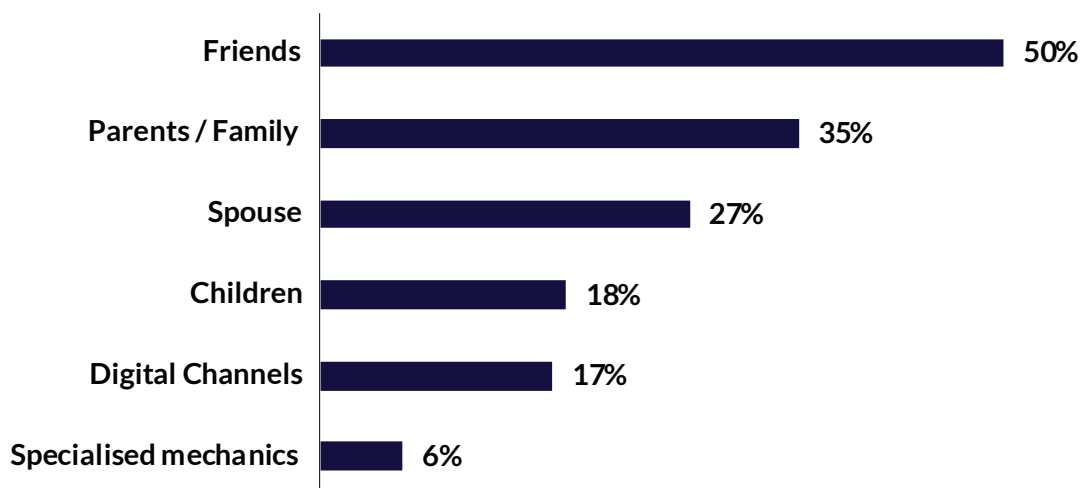


**50** % of used-car buyers look for used cars within a predetermined budget and are open to a range of models that fits their budget. This is followed by 26% of respondents who are unwavering on the car model. These customers do not look for any other model during their purchase journey. This is closely followed by 24% of respondents who are flexible with their budget depending upon the condition of the car they find. This number has moved sharply from 5% in FY19, signifying an increase of 19% in the past two years, which indicates that the pre-owned car buyer no longer views the used-car purchase through a short-term lens. They are willing to shell out extra bucks for the hassle-free ownership experience of a used car.

## KEY INFLUENCERS TO BUYING DECISION

*Friends and family continue to play a crucial role in the car purchase journey. Digital channels have gained prominence from the awareness to the purchase stage. The importance of local garages and specialised mechanics has gone down significantly in the decision-making process.*

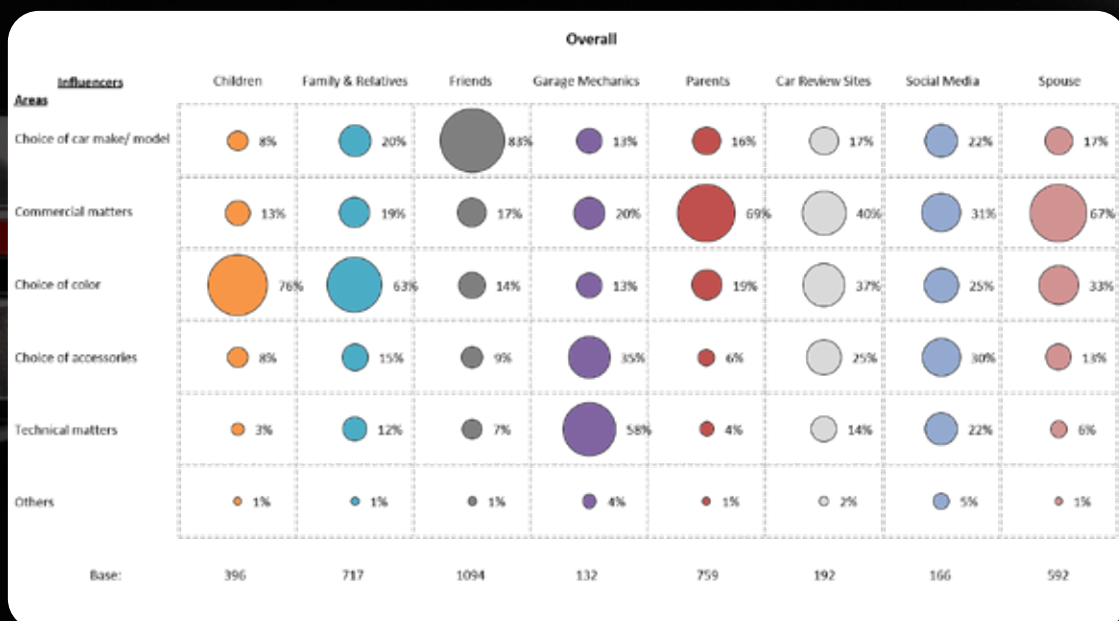
**Key Influencers**  
(Multiple Response) (n=2200)



Overall, 50% of total respondents report that friends played the most critical role in influencing their purchase decision while buying a vehicle. This was followed by parents, family, and their spouse, who also played a vetoing role in more than 27% of the cases while concluding the car purchase. Digital channels contribute as key influencers in the final buying decisions in 17% of the cases.

# AREAS OF INFLUENCE FOR DIFFERENT ELEMENTS OF PURCHASE

**“ There is a varying level of influence across different aspects of the of car-buying journey. Spouses and parents play a key role in deciding the budget, while friends are critical in the selection of make and model.**



**F**riends help in choosing the car make/ model in 83% of cases. Parents and spouses are critical when it comes to commercial matters with respect to the purchase of the vehicle. Both these influencer sets account for an impact in greater than 67% of the cases. The choice of color of the used car is primarily influenced by children and family. The choice of accessories and technical matters pertaining to the vehicle is where the mechanic is relied upon to make the decision. One interesting observation is that digital channels continue to be a relevant source of influence in the entire car-buying journey of a consumer.

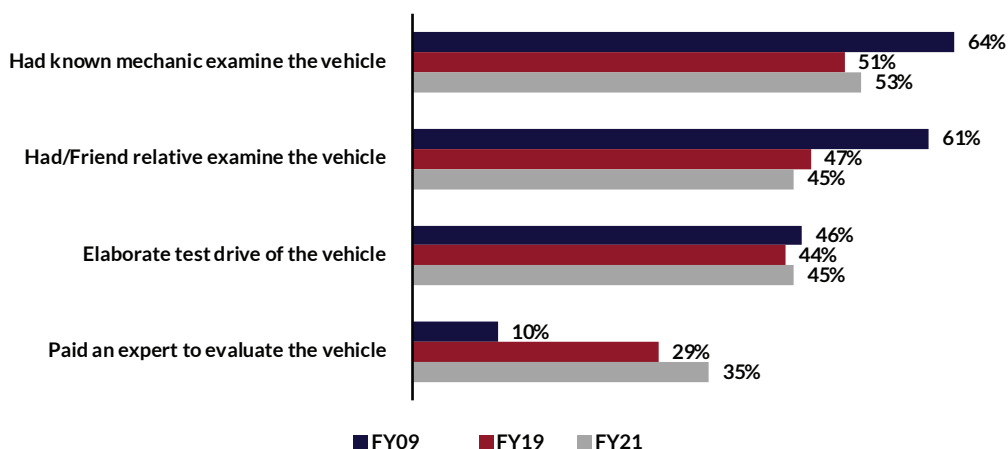


## PURCHASE PROCESS

### ACTIVITIES UNDERTAKEN DURING PURCHASE

“ Since vehicle assessment is critical to ascertain the fair value and actual condition of the car, known mechanics, friends and family, and expert evaluators continue to play a key role. The number of buyers who have paid expert valuers before purchasing a used car has increased from 10% in FY09 to 35% in FY21, signifying a 3.5x jump in the past decade.

Activities undertaken during purchase process  
(Multiple Responses) (n=2200)



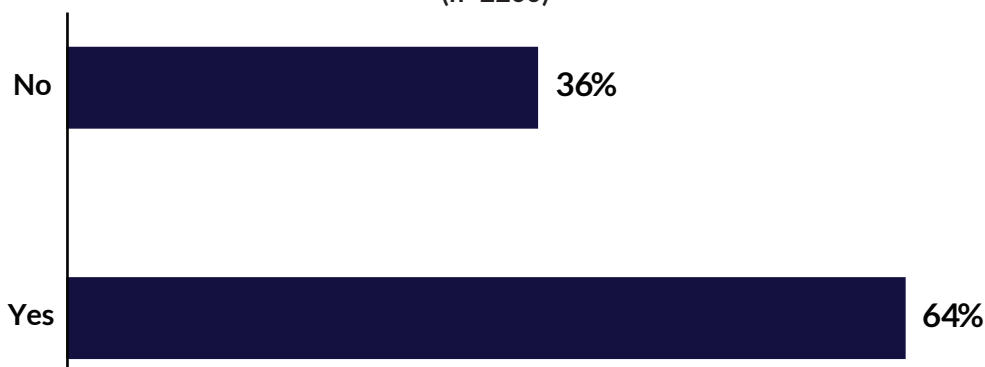
While buyers are moving towards online research before purchasing a used car, more than 50% of buyers still depend on a 'known mechanic' to have a look at the car before making the purchase.

The dependence on friends/ relatives to examine the vehicle has gone down by 16% between FY09 and FY21, and currently stands at 45%; however, this gap has been filled by certified experts. As of FY21, 35% of buyers paid an expert to visit them and evaluate the condition of the car, which stood at a mere 10% in FY09. This trend is expected to continue moving ahead, signifying that more customers will start interacting with organised channels of the used-car industry during their purchase process.

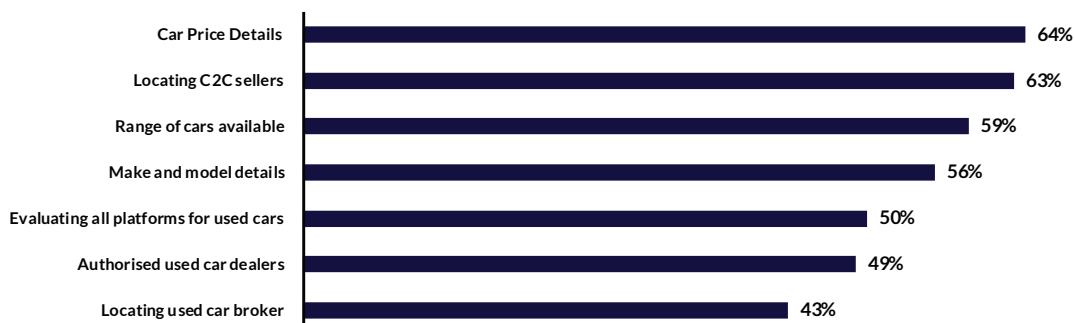
# ROLE OF DIGITAL IN PURCHASE PROCESS

**64% of pre-owned car buyers searched online for car-related information, including price check – a trend that is only going to grow in the coming future as the market matures.**

## Use of websites/mobile apps for research or enquiry (n=2200)



## Purpose of online research (Multiple Response) (n=1414)



**T**he advent of digital has greatly changed the purchase approach in the pre-owned car industry. While budget and the car's make/ model continue to be critical parameters for purchase, the customer purchase journey has definitely changed. 64% of all respondents used digital platforms (websites, apps) for research or inquiry in the entire purchase process.

A majority of buyers from Tier 1 cities used digital platforms for research and enquiry, while this number stood at 28% for buyers from Tier 3 cities.

64% of recent used-car buyers searched online for pre-owned car-related information and to check the price. 63% of buyers used it to locate nearby used-car sellers, thereby indicating how digital has become a bridge to connect buyers and sellers. 59% of buyers also used digital platforms to check different range of cars available for sale. 49% of buyers have used digital platforms to identify authorised used car dealers like Maruti True Value, Mahindra First Choice etc., which indicates that an increased adoption of digital has helped grow the connect between sellers and organised dealers.

## FINANCE PENETRATION



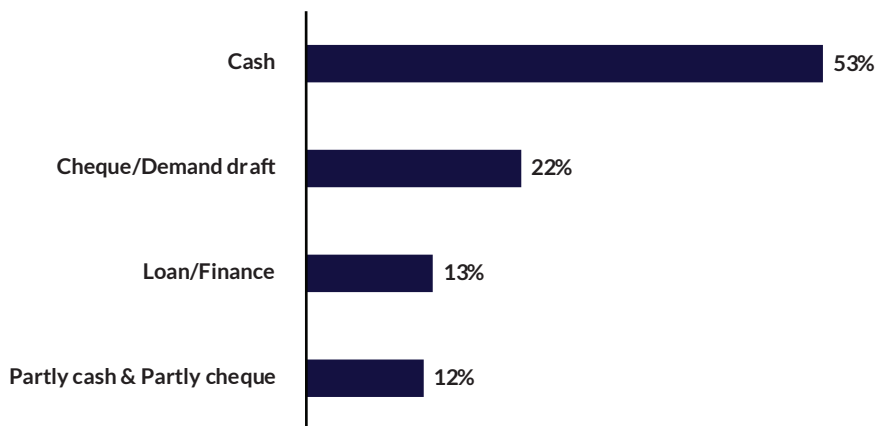
**13% of the buyers have taken a loan/finance to buy a used car. The finance penetration of the used-car market is much lower than the new-car market penetration, which stands at upwards of 75%. For FY21 specifically, disbursements have been lesser as banks have become more cautious with their lending activities.**



Only 13% of respondents financed their used car purchase. Around 75% of respondents used upfront payment (cash/ cheque/ draft) towards the purchase. Of those who availed of finance, around 75% of them had a good experience in terms of ease of getting the loan. Alternately, 14% of them found it difficult to get the car financed.

Finance penetration seems to be much higher in Tier 3 locations at 30%, which is largely driven by NBFCs, followed by Tier 2 at 12%. Any push in terms of an attractive finance product is only going to give the much-needed fillip to finance penetration.

**Mode of Payment**  
(n=2200)



The finance option was largely exercised for the higher-ticket MPV and SUV purchases, as consumers who bought these vehicles have a higher disposable income, due to which the auto loan can be passed with greater ease by financial institutions.

## IMPACT OF COVID-19

### IMPACT OF COVID-19 ON BUYERS DECISION



*A total of 65% of people had their decision to buy a vehicle influenced by the COVID-19 pandemic. 29% of used-cars buyers were not at all considering buying a car prior to COVID-19.*



f the total buyers covered as part of the study, 29% of customers were not considering buying a 4-wheeler prior to the pandemic. Buyers from Tier 3 cities seem to be influenced by the pandemic more than others.

#### Consideration of Car Purchase prior to COVID-19

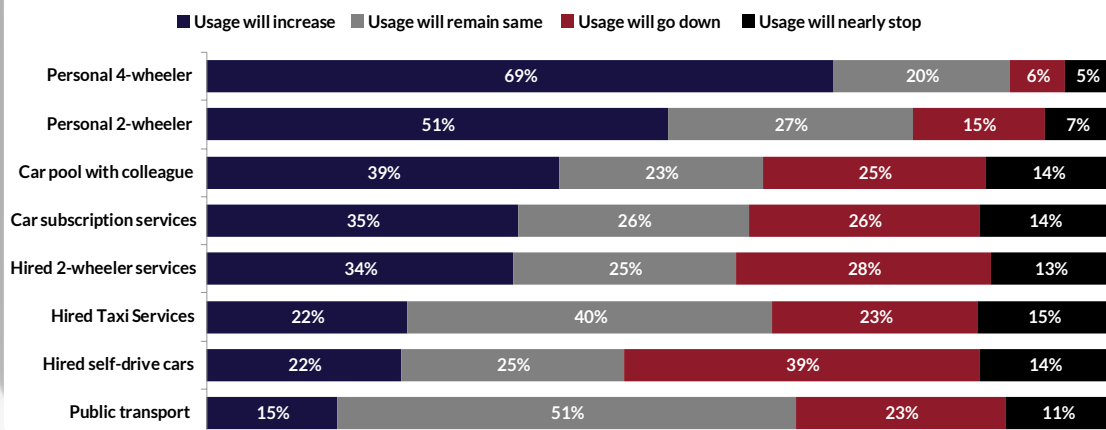
(n=2200)





**A**cross different town classes, the sentiment has been that the usage of personal 4-wheelers will increase substantially in the future, with an overwhelming 89% feeling that the usage will increase or remain the same.

## Buyer Opinion - Changes in mode of transport moving ahead (n=2200)



## FUTURE OUTLOOK

### OUTLOOK ON FUTURE PURCHASE

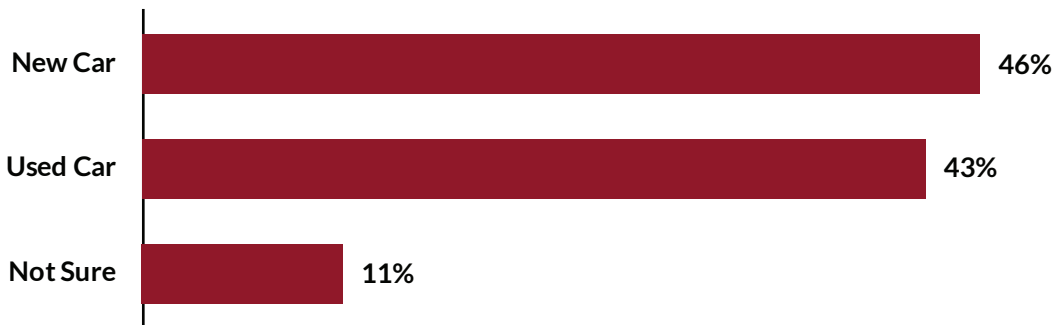


**More than 40% of used-car buyers are likely to buy another used car as their next purchase, with an average budget of ~7 lakhs.**

46% of used-car buyers are likely to upgrade to a new car with their next car purchase, and almost an equal number of buyers (43%) will continue using a used car. Additionally, around 63% of these buyers are likely to purchase their next car within the next 3 years.

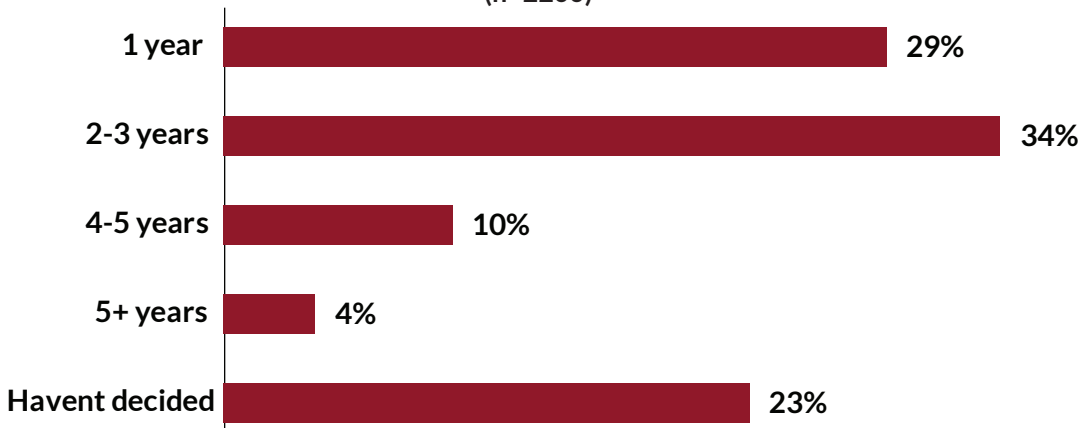
#### Type of Car Most Likely to purchase next

(n=2200)



#### Likelihood to Purchase next car (in years)

(n=2200)





# THE SELLER

CONVENIENCE GALORE IN THE CHANGING LANDSCAPE

## KEY REASONS TO SELL AND CAR PROFILE

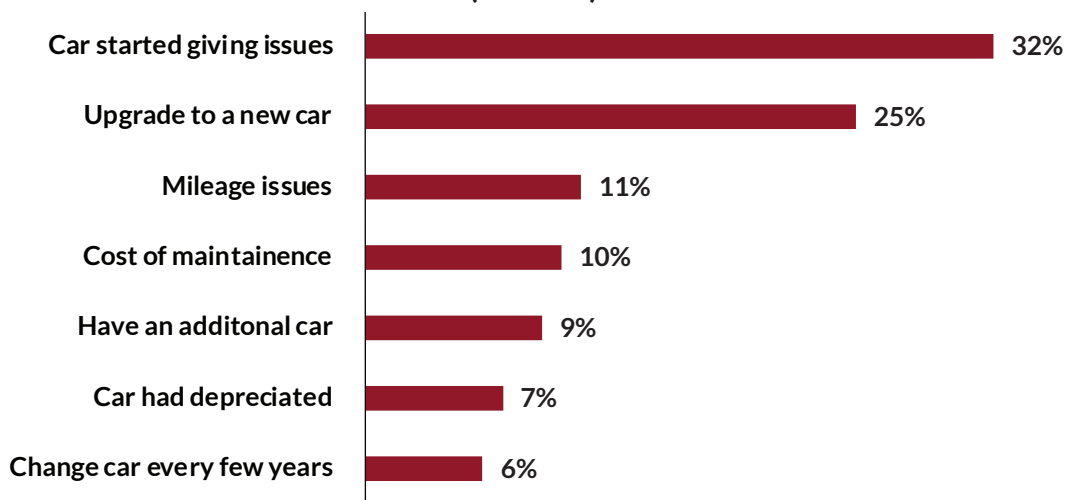
*The trigger-points for a car owner to sell are primarily when the car is wearing down and requires ongoing maintenance, or the customer is ready for an upgrade to a new car.*

**A**cross segments, it was identified that the car aging and problems associated with an old car were the key reasons for selling the vehicle, and stood at 32%. This was followed closely by respondents wanting to upgrade to a new car at 25% – and this was mostly seen as a priority for sedan owners.

Audiences in Tier 1 and Tier 3 cities are generally the ones who make the most use of their current car, and when they start facing problems with the car due to aging, they sell it. The same pattern is observed among sedan and SUV owners across cities.

However, in Tier 2 towns, the desire to upgrade to a new car has emerged as the most important reason to sell their used car. However, hatchback owners across cities like to upgrade to a new car after a few years of usage.

### Key reasons for selling the car (n=1909)

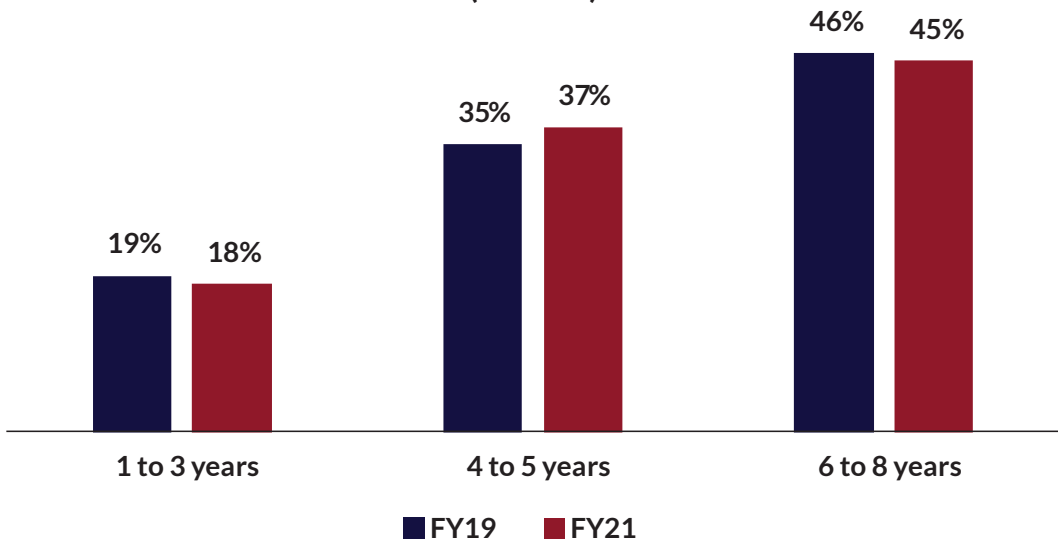


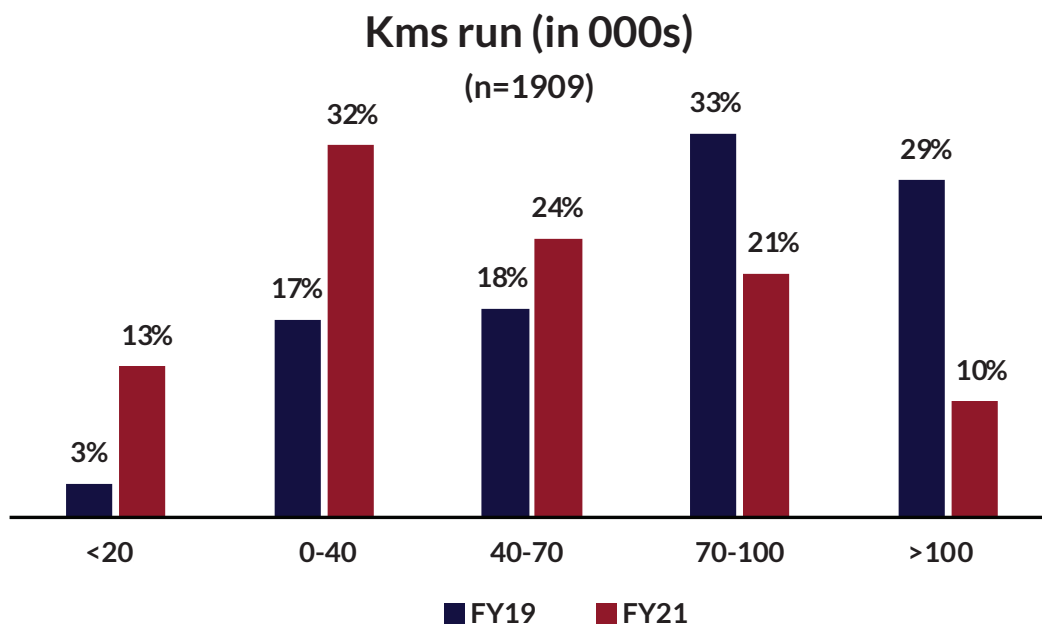


## CAR PROFILING

“ 55% of cars coming into the pre-owned car market are retail worthy (<5 years vehicle age). People are looking to upgrade to newer models at a faster pace due to many new launches and rising aspirations among consumers. This number is expected to grow and would, in turn, drive further demand among buyers.

Vehicle Age (in years)  
(n=1909)





45% of the cars which enter the pre-owned car market have run under 40,000 kms at the time of sale. This number stood at 20% for FY19 which signifies a significant shift in the past couple of years. Sellers are now preferring to dispose of their existing vehicles in lieu of upgrades to newer models in a shorter period. Only 10% of the sellers have used the car for more than 100,000 kms before selling it.

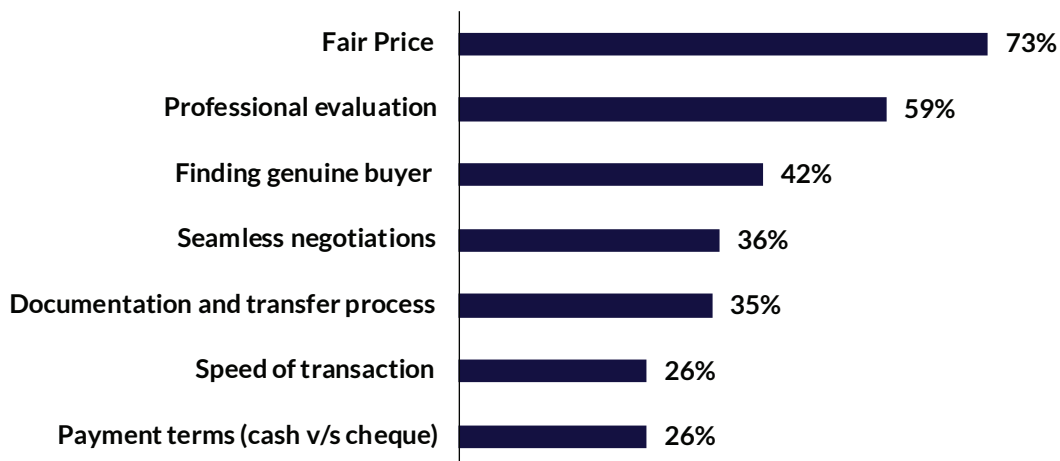
# SELLING JOURNEY

## PRIMARY CONSIDERATIONS WHEN SELLING THE CAR

**“Getting a fair price for the vehicle continues to be the top priority for the seller. Reinforcement of this concern is highlighted by the fact that most sellers get a professional evaluation done to avail of a fair price for their car.”**

### Key Considerations while selling the car

(Multiple Response) (n=1909)



**W**hen it comes to primary considerations while selling a car, 73% of respondents stated that getting a fair price would be their top priority. This was followed closely by getting a professional evaluation of the car's condition, at 59%.

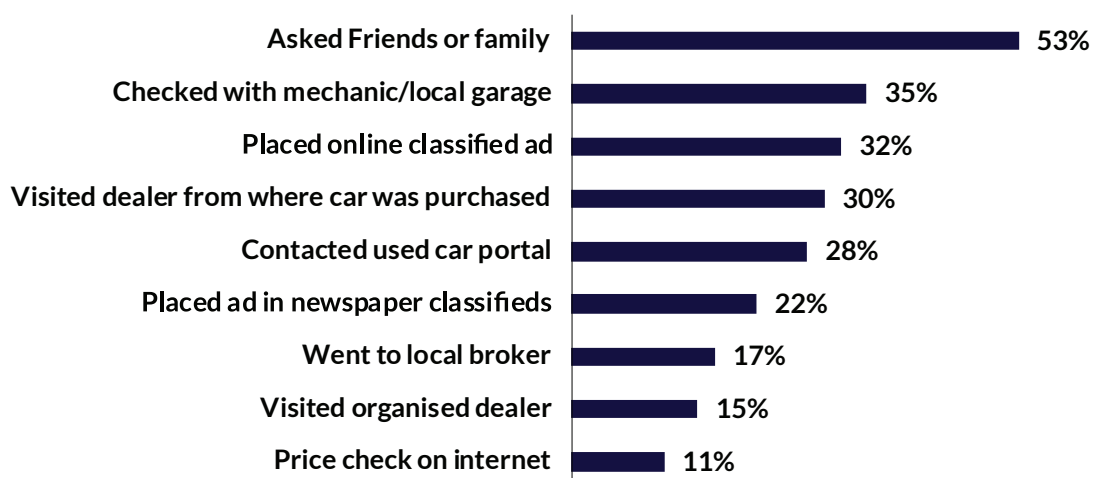
However, for luxury car and SUV owners, convenience is more important, and getting a self-evaluation done is not their priority. Tier 3 consumers are most concerned about the right vehicle valuation, as 96% of respondents stated this as their primary concern, indicating a lack of trustworthy channels for the sale of vehicles in these cities.

# ACTIVITIES CARRIED OUT POST THE DECISION TO SELL THE CAR

*“Checking with friends and family to buy their car is the first action item undertaken by used car sellers. Digital is still not the go-to platform to sell cars across cities in India.”*

## Activities undertaken upon deciding to sell the car

(Multiple Response) (n=1909)





One of the key activities undertaken by the people upon deciding to sell their car involves asking family members and friends if anyone is interested in purchasing it, at 53% of the seller responses, followed by checking with a mechanic or local garage at 35%. About 15% of respondents went to organised used-car dealers when they decided to sell their car.

When viewed across tier classes, Tier 3 cities would most likely opt to continue asking friends and/ or family if anyone wants to buy their vehicle. This indicates that Tier 3 cities depend highly on unorganised and informal means of vehicular sales. Online listing is dominant in Tier 1 cities, while going back to the same dealer from where the vehicle was originally purchased is the preferred mode in Tier 2 and Tier 3 cities.

Luxury car owners who wanted to sell their cars prefer to contact online used-car portals the most.

## CHANNEL PREFERENCES

### CHANNELS CONSIDERED TO SELL THE CAR

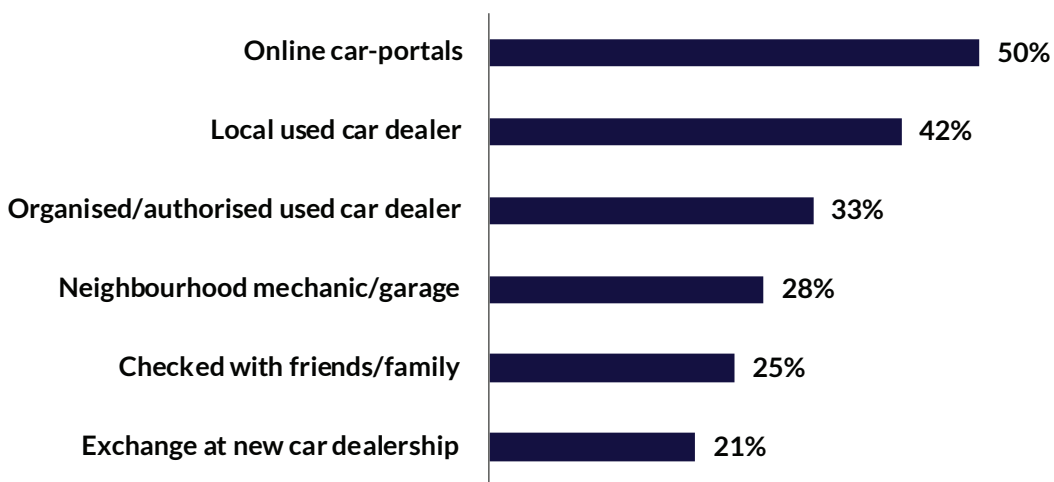
**C2C channels are the most considered channels for Tier 1 and Tier 2 consumers. For Tier 3 cities, the neighbourhood/ local used-car dealer enjoys maximum consideration.**

The most preferred channels to sell vehicles were online used-car portals along with C2C websites and the Facebook community – 50% of all sellers consider these channels to sell their car. While in Tier 1 and Tier 2 cities online portals were most preferred, neighbourhood brokers and local used-car dealers were more sought after in Tier 3 cities.

Organised used-car dealers are the third most-considered channel for sellers, accounting for 33% of all respondents. With the addition of services like home inspection offered by digital peers, this channel could give the more recent entrants in the category a run for their money.

#### Channels considered to sell the car

(Multiple Response) (n=1909)

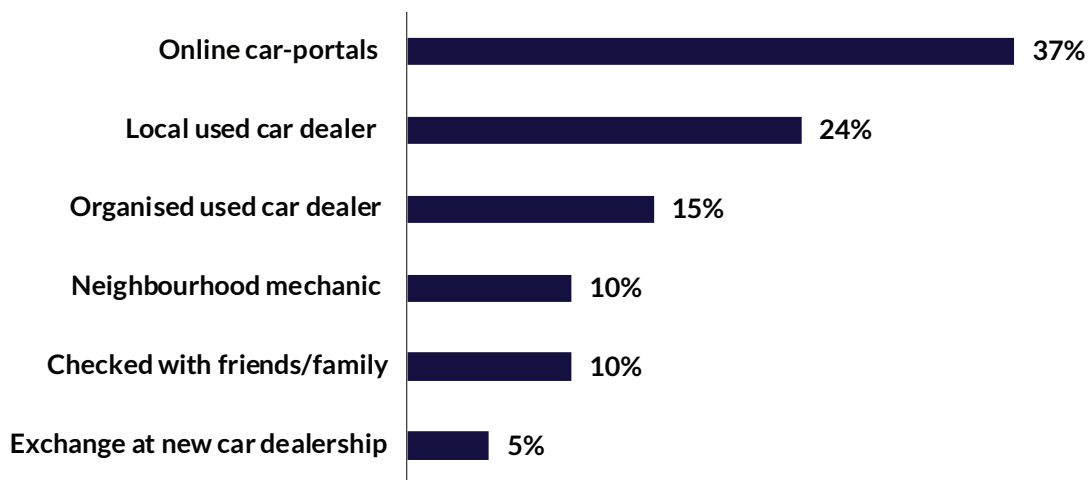


37% of respondents started their used-car selling journey on online portals. The majority of sellers from both Tier 1 and Tier 2 locations used online used-car portals, but in Tier 3 cities, they initiated their car-selling journey mostly with neighborhood or local used-car dealers.

15% of respondents initiated their sale journey via organised used-car channels.

### Initial channel used to start sale

(n=1909)

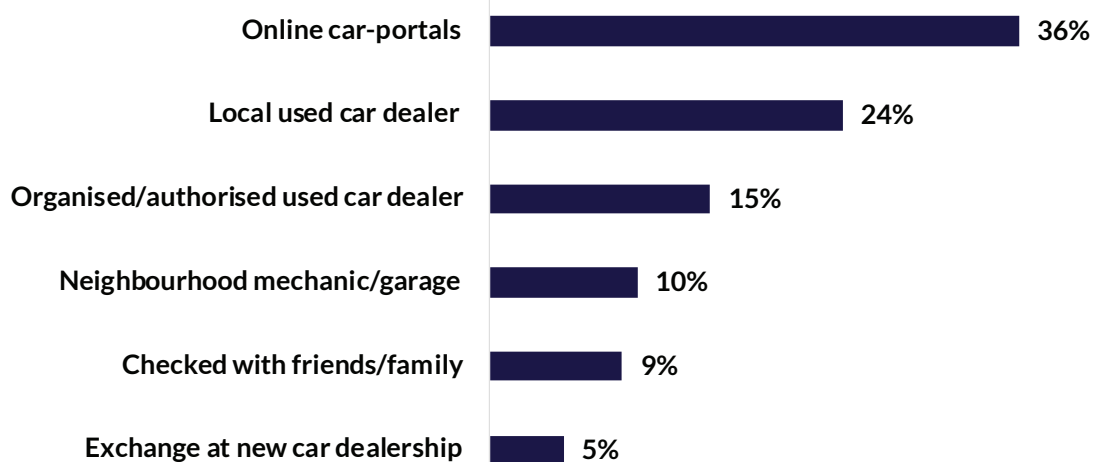


**T**here was no major difference observed in the contribution of the channel between sale initiation and sale closure. When it comes to the most popular channel used to initiate and close the sell-a-car journey of a consumer, online used-car portals and websites were clear winners. 15% of respondents initiated and closed their sale journey via an organised used-car dealer channel.

It has been observed that sellers initiate sales and estimate their used-car prices at a local used-car dealer, but end up making final sales to an online used-car portal due to the convenience and transparency of the transaction.

### Channel for sale closure

(n=1909)



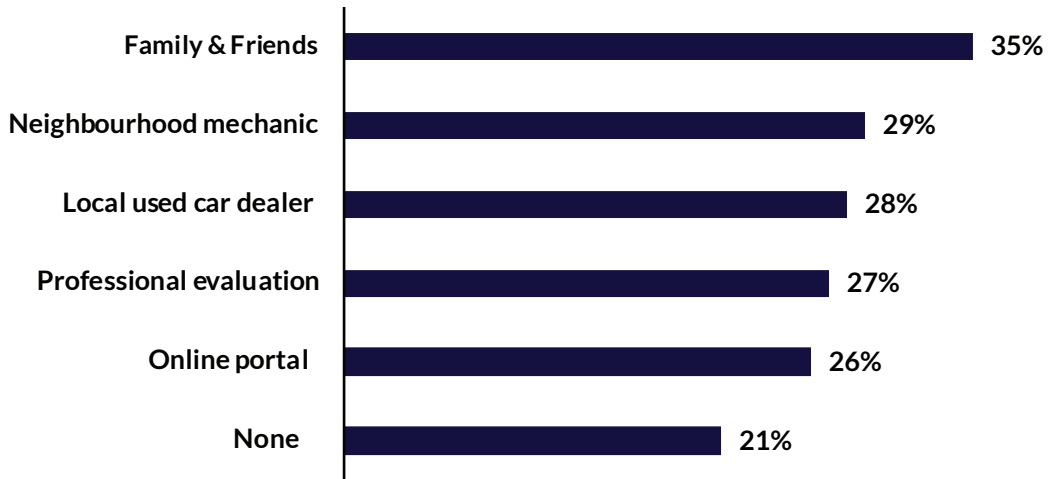
# PRICING ASSESSMENT

## APPROACH TO ASCERTAIN THE RIGHT PRICE

**“ Family and friends who have the same car are the preferred routes taken by sellers to get an estimated price for the car. However, online portals are the most trusted source to ascertain the right price.**

### Approach to determine the right price

(Multiple Response) (n=1909)



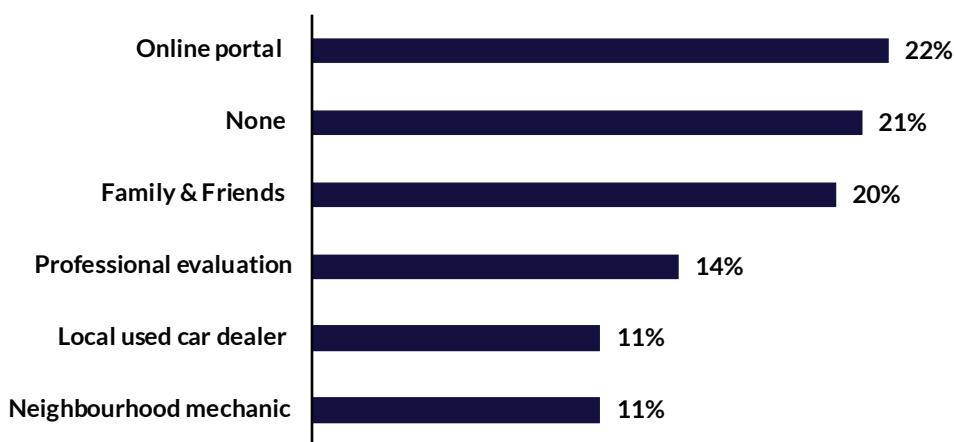


**M**ultiple channels were utilised by respondents to ascertain the right price for selling their used car. They did not restrict the research to one specific channel. Cross-validation across channels is considered inherent in this journey, whether it's approaching family and friends who have the same car, a nearby garage, a local used-car dealer, or getting a professional evaluation of the car.

To ascertain the right price to sell the car, the most popular option was approaching friends or family who own the same car, followed by going to online portals. Luxury car owners preferred online portals the most.

### Most trusted approach to determine right price

(n=1909)



22% of sellers feel that online portals are the most trusted approach to ascertain the right price of the vehicle. 21% sellers believe that none of the current sources can ascertain the right price, which currently represents a gap in the market.

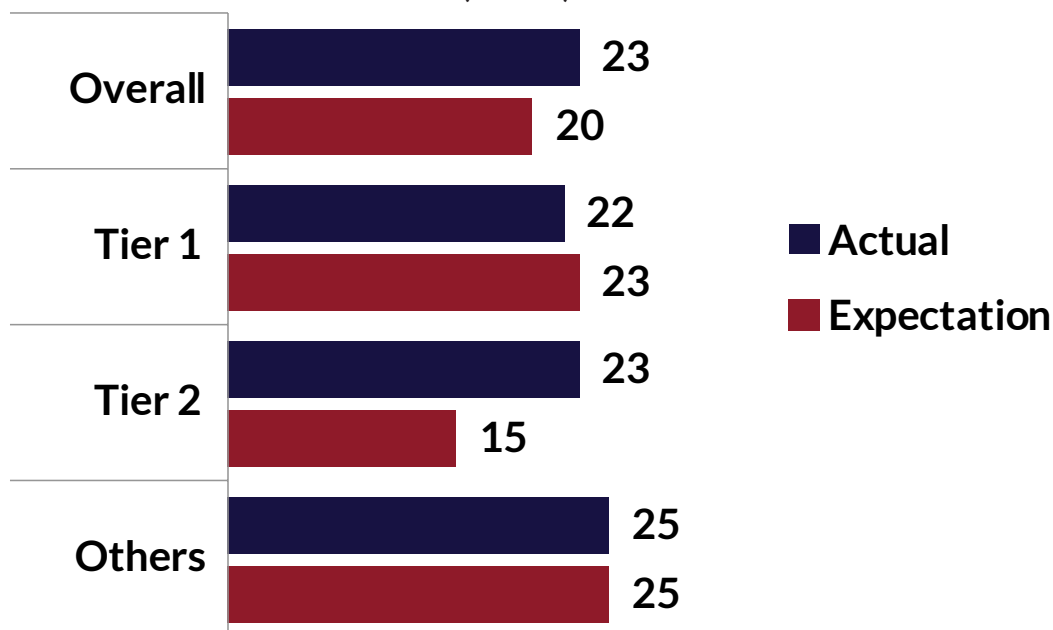
# TIME TAKEN TO SELL AND PRICE SOLD VS. EXPECTATION

**“ The seller’s time expectation to sell the vehicle currently stands at 32 days. For hatchbacks, which comprise the largest share (>50%) of cars sold, the average number of days expected to sell the car stood at 21 days, while the car was sold in 24 days.**

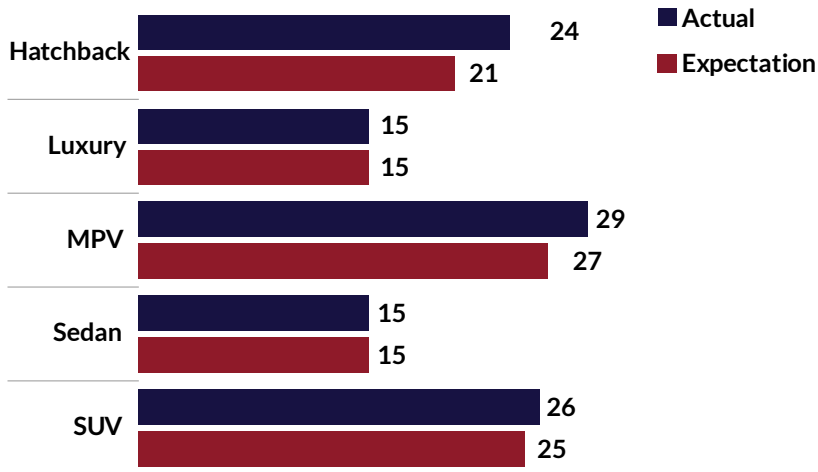
**T**he respondents’ ideal time expectation for the full sales process, including the receipt of full payment, was about 32 days. In Tier 1 cities, it took a total of 30 days to complete the process of selling the vehicle, whereas in Tier 3 cities it took 37 days for the process completion.

## Days to sell the Car – Tier Classification

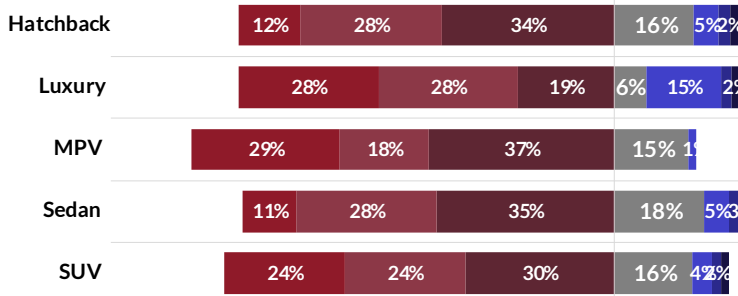
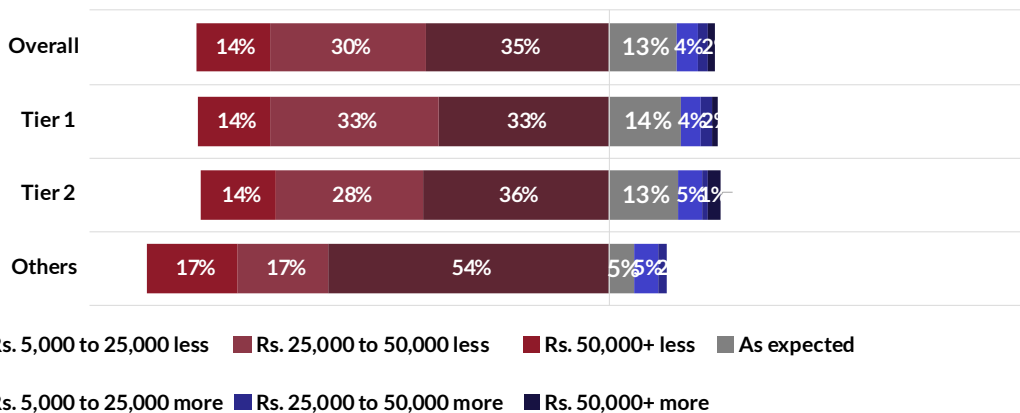
(n=1909)



## Days to sell the Car – Segment Classification (n=1909)



## Price sold vs. Expectation (n=1909)



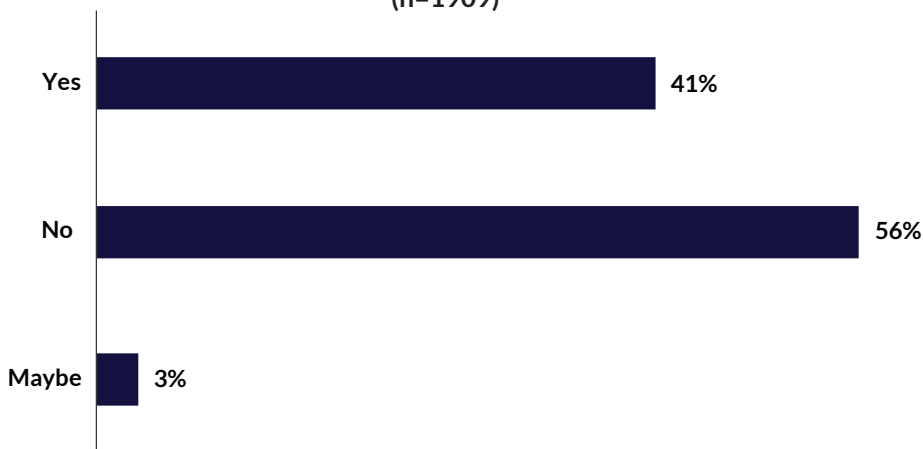
For the majority across tier classes, the car was sold at a price which was ₹5,000 to ₹25,000 less than their expectation.

# IMPACT OF COVID-19

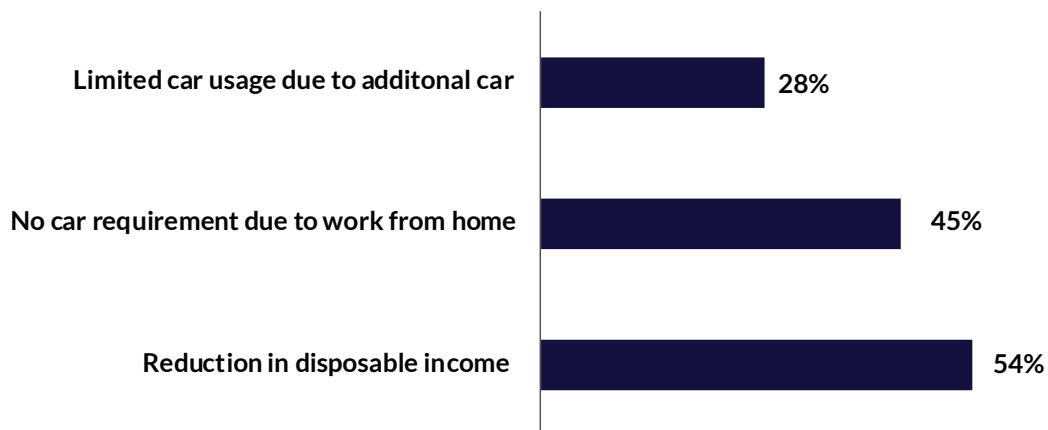
## IMPACT OF COVID-19 ON THE DECISION TO SELL THE CAR

**“ For 41% of sellers, COVID-19 had an impact on the decision to sell their cars. Two key reasons that prompted the sale of cars for these customers were reduced disposable income and reduced activity of the vehicle due to ‘work from home’ being the current norm.**

### Impact of COVID-19 on decision to sell car (n=1909)



### Reasons to sell car due to COVID-19 (Multiple Response) (n=1909)



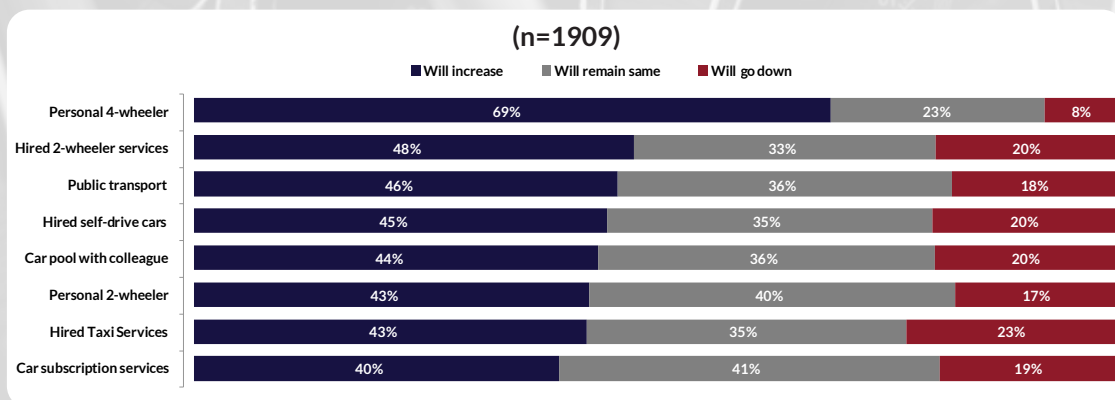
If we were to assess the impact of COVID-19 on the decision of people to sell their vehicles, it can be seen that the majority did not feel that the pandemic bore a significant impact on their decision, as only 41% of respondents agreed to the question. Upon closer inspection, it was observed that in Tier 1 locations, the primary reason to sell their car was due to the reduction in disposable incomes. In Tier 2 and “other” towns, the remote working trend took away the need for a vehicle, while some also sold their cars as it was an additional vehicle and its usage was extremely limited.

For sedan owners, work from home had the most significant impact over selling their car as the vehicle was not of use to them any longer. Selling the vehicle due to its inactivity also played a significant role for premium sedan and MPV owners, for whom reduced disposable incomes had an equally strong impact. Of all car segments, the segment which attributed the sales of their car to an additional vehicle the most was MPVs. In pandemic times, sales of vehicles in Tier 2 and Tier 3 cities increased, as people from Tier 1 cities returned to their hometowns with their vehicles and didn't need an additional vehicle anymore.



## CHANGE IN USAGE OF TRANSPORT MODES IN THE FUTURE

**“ Across tier classes, the usage of personal 4-wheelers will increase in the future, with an overwhelming 92% of respondents feeling that their usage will increase or remain the same.**



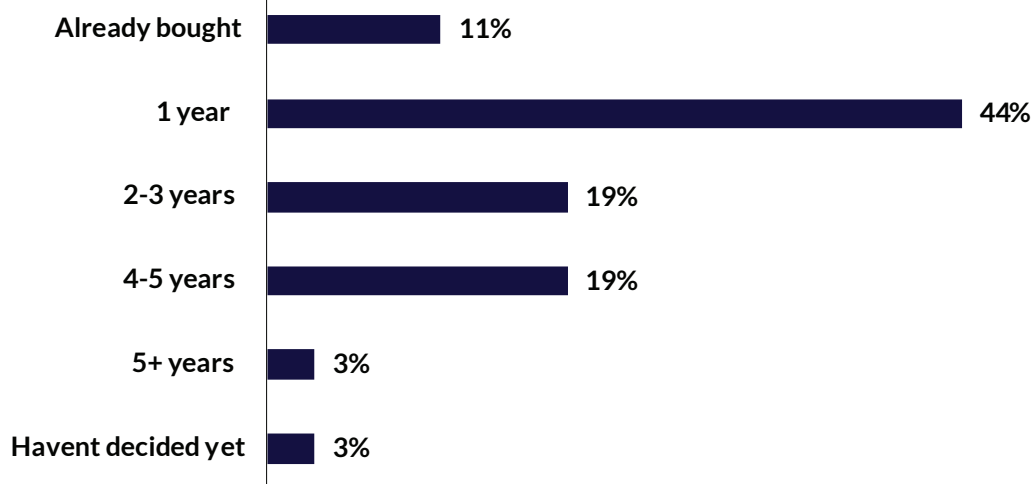
# FUTURE OUTLOOK

## NEXT VEHICLE PURCHASE

**11% of customers who have sold their vehicles in the pre-owned car market have bought a new vehicle, and 44% intend to buy a vehicle within 1 year of selling. Of the customers who have bought another vehicle, 73% have upgraded to a new car.**

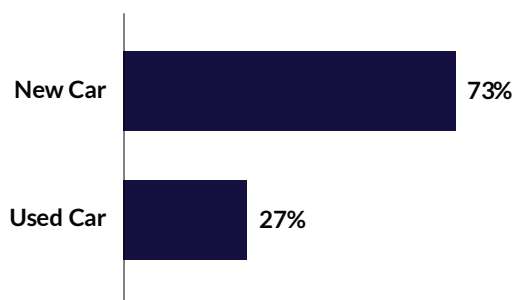
### Likely to purchase next vehicle (in years)

(n=1909)



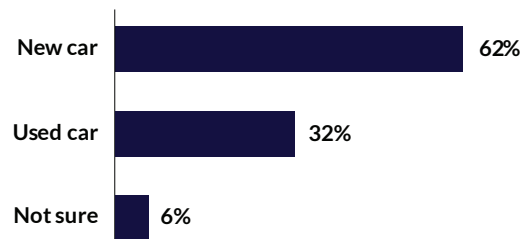
### Type of car purchased

(n=214)



### Next vehicle likely to purchase

(Sellers who are likely to purchase in 3 years)

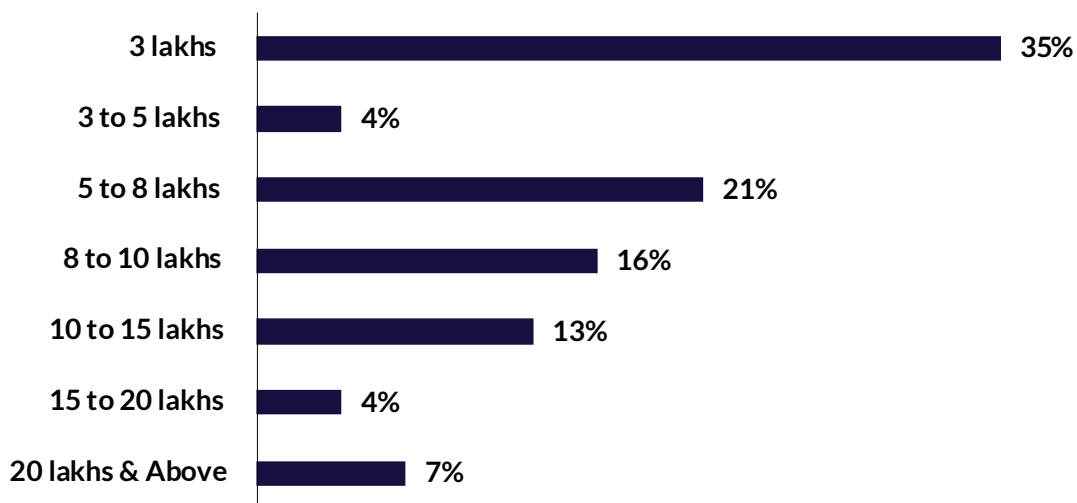


55% of the respondents surveyed had either bought another vehicle or were planning to purchase another vehicle in the next year. Of those who had already bought another vehicle, 73% have bought a new car.

**F**or sellers, the intent is to buy a new car, which accounts for a majority of responses at 62%. This is similar across geographies and segments. For Tier 1 cities, the average budget for purchasing the next car is ₹9.7 lakhs, while for Tier 2 locations it is ₹8.05 lakhs, and in Tier 3 cities, it is ₹6.64 lakhs.

### Likely budget for next car

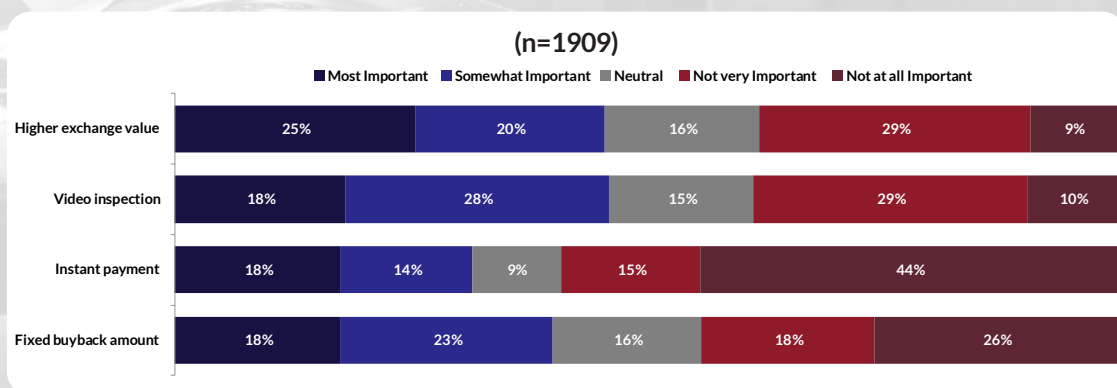
(All who have not purchased vehicle yet) (n=1695)



# GAUGING IMPORTANCE OF SOME NEW FEATURES IN THE USED-CAR BUSINESS

**“46% of respondents are looking for video inspection of the vehicle as a feature going ahead as it would help them ascertain the right price instantly and complete the entire selling process smoothly.”**

The higher exchange value when buying a car from the same dealer is the most important feature and is higher than average in Tier 2 towns and for sedans. Instant payment and the buyback amount of the vehicle is an important consideration while selling in Tier 2 cities. Instant payment is the least of the concerns for luxury car owners; a fixed buy-back amount within the specified age of the car and video inspection of the vehicle held the highest importance among this segment.





# **PRE-OWNED CAR INTENDERS**

## **SHIFTING MINDSETS AND CHANGING PREFERENCES**



## CUSTOMER PROFILE



*A large portion of respondents are first-time car buyers, who, having owned a 2-wheeler earlier, now wish to own a car. The reason for the upgrade is that the commuting needs of the family have changed necessitating the purchase of a 4-wheeler. Affordability is the key reason cited for buying a used car. The same trend has been observed in the study conducted with pre-owned car buyers.*

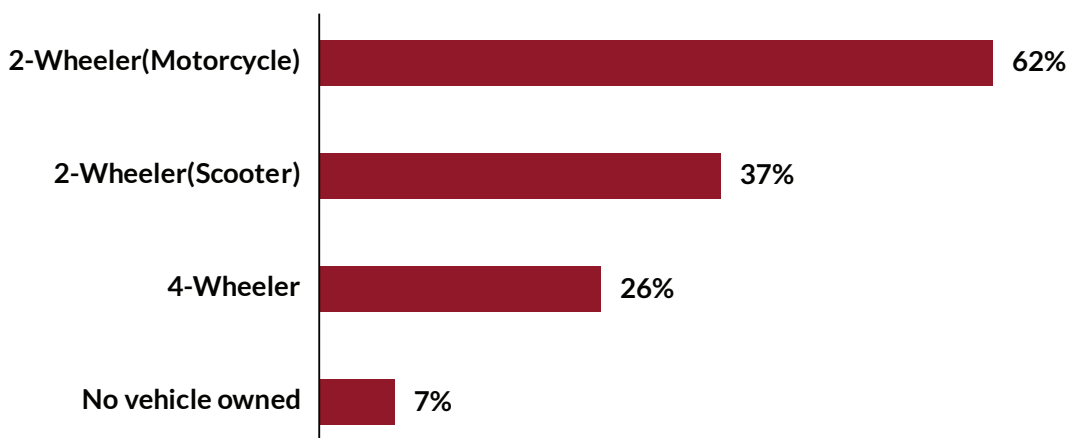
**A**

Almost 90% of respondents who wish to buy a pre-owned car have a 2-wheeler (motorcycle or scooter) and now wish to graduate to a 4-wheeler.

It was observed that intenders who already had a 4-wheeler have a higher disposable income and an affinity towards buying higher-priced segment cars like SUVs. Intenders from Tier 2 cities who own 2-wheelers primarily look for pre-owned hatchback cars as their first 4-wheeler due to budgetary constraints.

### Ownership history of vehicles

(n=431)

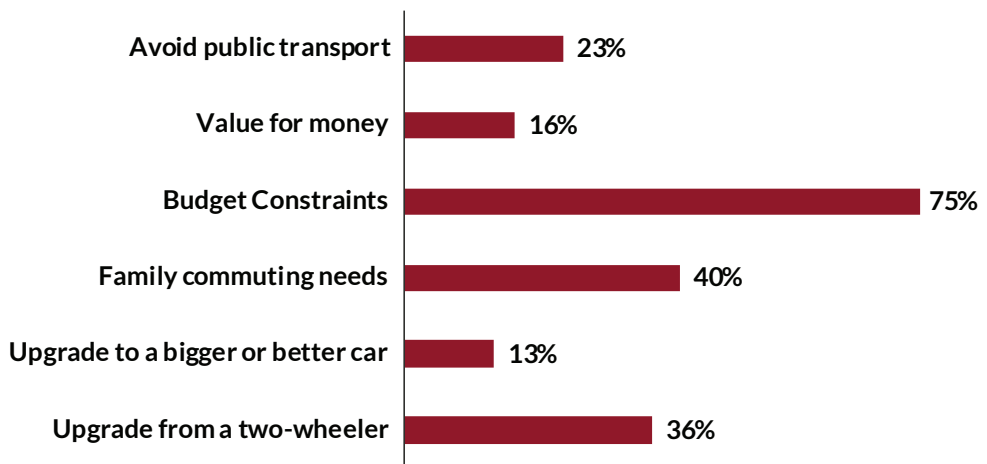


**B**udgetary constraints continue to be one of the key reasons for intenders to look at pre-owned cars as a viable option, with 75% of respondents indicating it to be a reason for them to look at pre-owned cars. 40% mentioned family commuting requirements as one of the key reasons, and 36% wanted an upgrade from their 2-wheeler.

23% of respondents are looking to now own a used car for safety reasons precipitated by the COVID-19 pandemic. Intenders from Tier 1 cities have placed a higher emphasis on the pandemic as the key reason to buy a pre-owned car.

### Key Reasons to look for used car

(Multiple Response) (n=431)



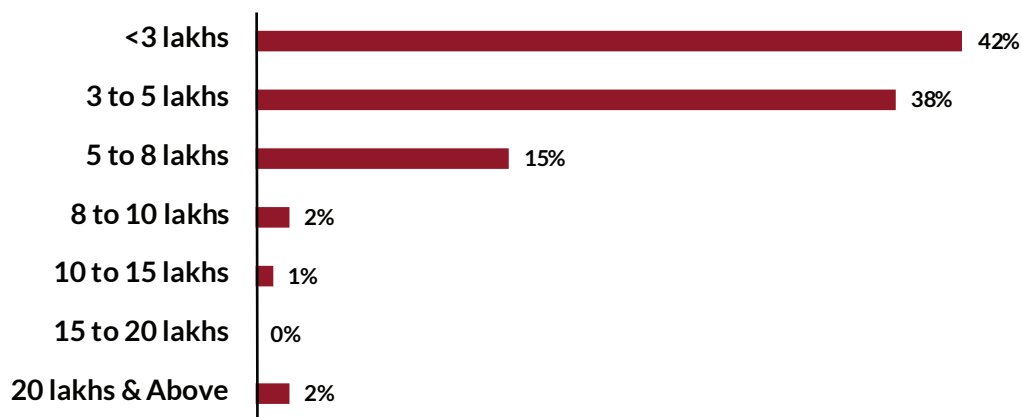
## AVERAGE BUDGET OF USED CAR

**“Used-car intenders have a strong inclination towards value-based products and most transactions are facilitated in the range of up to 5 lakhs.”**

A used-car purchase is predominantly considered to be a value-based proposition as is evident from the intenders' preference, indicating that ~80% are considering a purchase within the budget of ₹5 lakhs. The trend is similar across Tier 1 to Tier 3 cities. SUV intenders have a budget of about ₹5.75 lakhs followed by MPV at ₹4 lakhs. Pre-owned sedan intenders are looking at a budget of ₹3.8 lakhs, while the biggest segment of intenders looking to buy hatchbacks are willing to shell out ₹2.86 lakhs for their pre-owned car transaction.

Overall; 37% of respondents would consider Maruti Suzuki, followed by 17% for Hyundai and 12% for Mahindra. Those with a higher budget prefer SUVs and are inclined towards dominant SUV brands like Mahindra over Maruti Suzuki and Hyundai.

**Budget of used car**  
(Average Budget ₹ 3,85,000) (n=431)



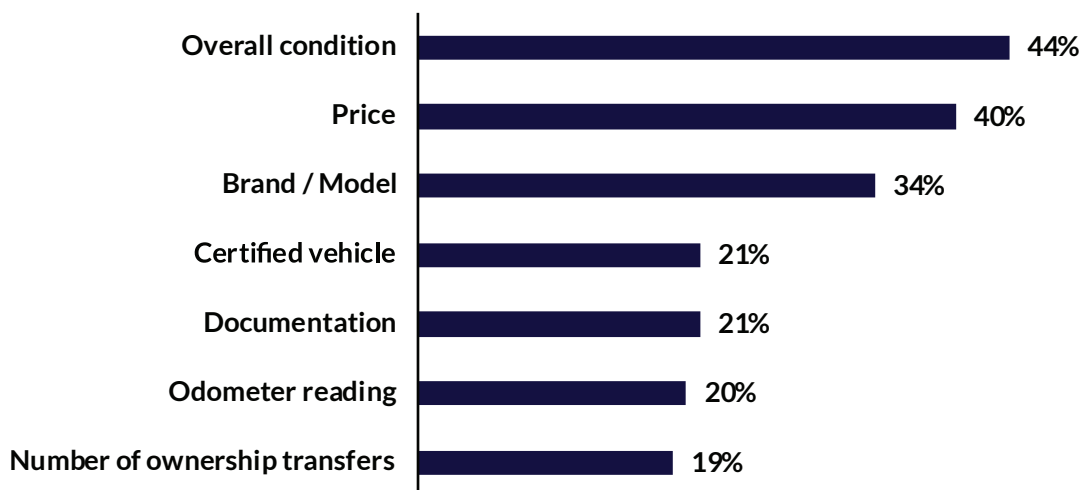
## PURCHASE CONSIDERATIONS

**“ The three most important considerations for purchasing a pre-owned car remain the same across buyers and intenders: the overall condition of the car, the price, and the brand/ model of the car. This is in sync with the key considerations found in the pre-owned car buyer study.**

Intenders from Tier 1 cities place a higher preference on the certification of the vehicle, while intenders in Tier 2 cities have more of an affinity towards cars of a particular brand/ model.

### Key Reasons while purchase consideration

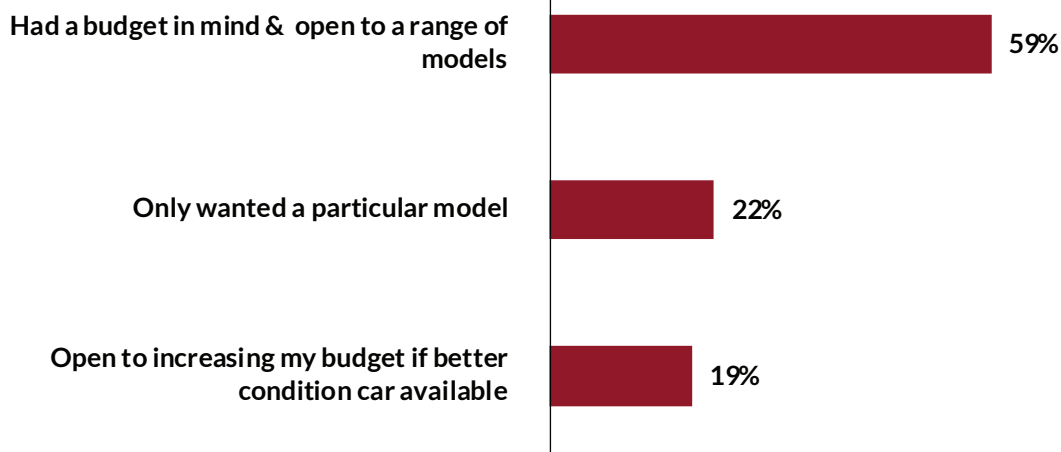
(Multiple Response) (n=431)



## TOP 3 CRITICAL FACTORS WHILE CONSIDERING PURCHASE OF PRE-OWNED CAR

59% of intenders start their purchase journey with a budget in mind and look for options within that budget range. Around 19% of intenders are open to increasing their budget if they are able find a car in a good condition.

### Critical Factors while considering purchase (n=431)





## CHANNEL PREFERENCE

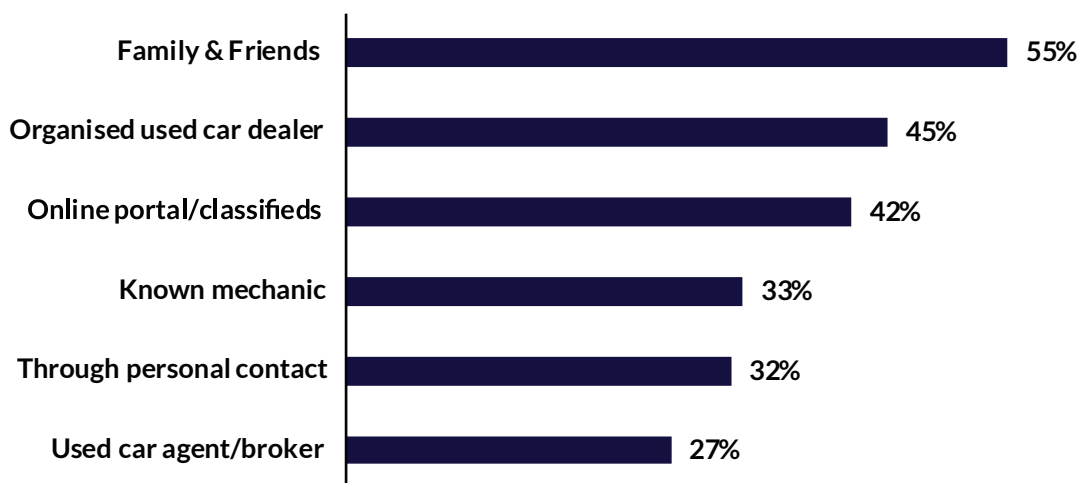
**“ Purchasing a car from a known individual – friends, family, or colleagues – still remains the most preferred channel by pre-owned car intenders. This is followed by authorised pre-owned car dealers.**

**O**verall, 55% of total respondents report that they would prefer to purchase a pre-owned car from friends, family, or colleagues – they lay high trust in knowing how the owner used the car or may have had first-hand experiences of it.

One major shift which is now seen is that 45% of intenders have looked at organised used-car dealers as a channel to explore while buying a car. This number for consumers who have already bought a car in the past year was much lower. Clearly the need for an authorised dealer to buy a pre-owned car is gaining fast traction. Contacting an unorganised used-car broker or agent was the channel that was least explored by intenders.

### Channel used to explore purchase of used car

(Multiple Response) (n=431)

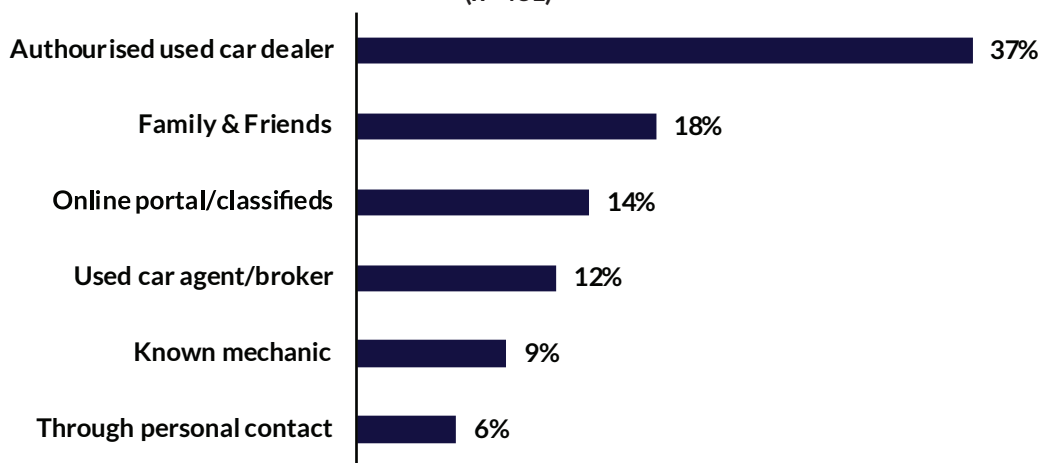


**T**he 'most trusted channel' among intenders, according to the study, is the organised pre-owned car dealer. This indicates that there is an understanding and appreciation of the fact that authorised car dealers will not only inspect the car thoroughly but also put a fair price on the deal.

The biggest motivation for buying a car from an authorised dealer is that the vehicle is inspected and certified by experts, and a higher trust quotient. This is an established trend in larger cities; Tier 2 cities are fast catching up as well. As the penetration of organised pre-owned car dealers increases in smaller towns, this channel is bound to take a larger market share of the pre-owned car trade in the future.

### Most trusted channel for used car purchase

(n=431)

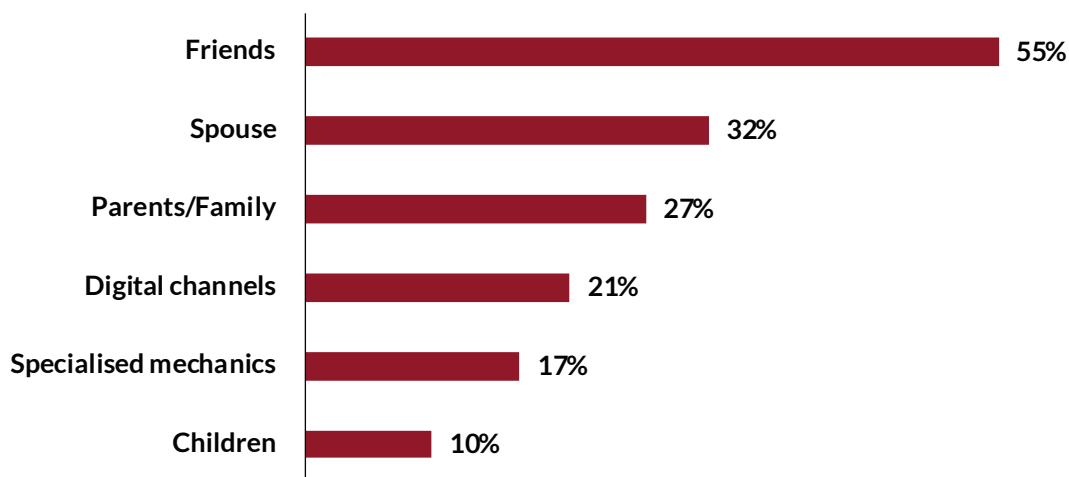


## KEY INFLUENCERS

*Just like used-car buyers, intenders rely on suggestions mainly from friends and family to make a purchase decision. Digital channels are gaining traction among intenders, and are playing a crucial role through their entire car-buying journey.*

### Key influencers in purchase decision

(Multiple Response) (n=431)



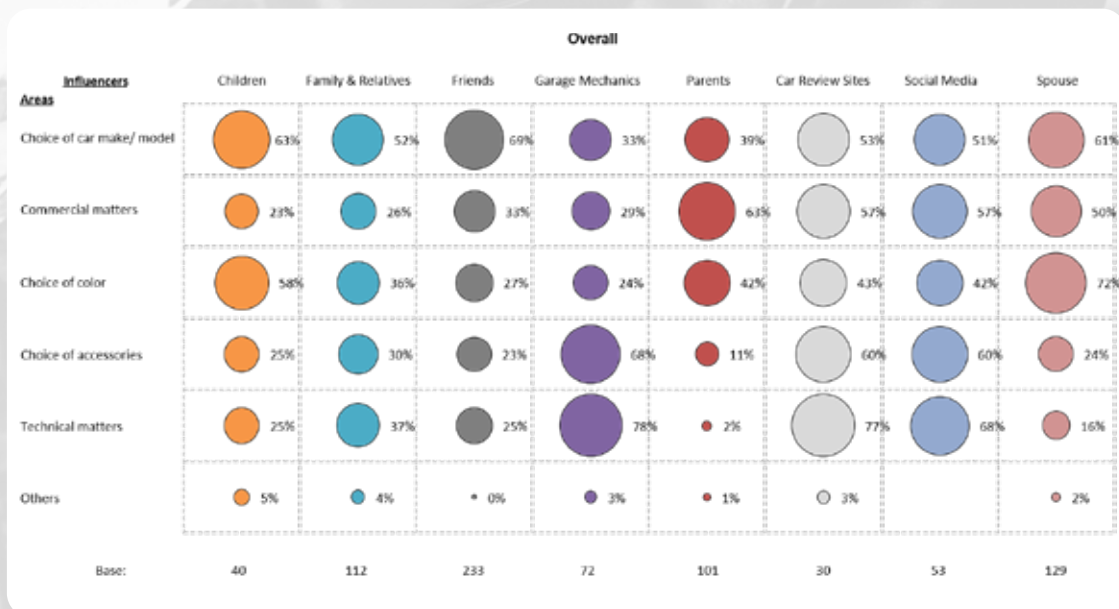
The circle of influence for intenders is largely similar to the buyer of the pre-owned car. Friends and family play a vetoing role in deciding the purchase of the car. The importance given to the digital medium as a channel of influence among intenders is greater as compared to existing pre-owned car owners (consumers who completed the purchase in the last year). The role of the mechanic is still mainly limited to technical aspects and choice of accessories for the car.

# AREAS OF INFLUENCE FOR DIFFERENT ELEMENTS OF PURCHASE

*There are varying level of influence across different parts of the car-buying journey. Spouses and parents play a key role in deciding the budget, while friends are critical in the selection of make and model of the car. The impact of digital is far higher across the pre-owned car-buying journey among intenders.*

**F**riends help in the choice of car make/ model in 69% of cases. Parents, followed by spouses, are critical sources of influence when it comes to commercial matters with respect to the purchase of a used car.

The choice of color of the used car is mostly influenced by the spouse and children. The choice of accessories and technical matters pertaining to the vehicle is where the mechanic and car review websites are relied upon to make the decision. However, social media continues to be a relevant source of influence for almost all areas while buying a used car.



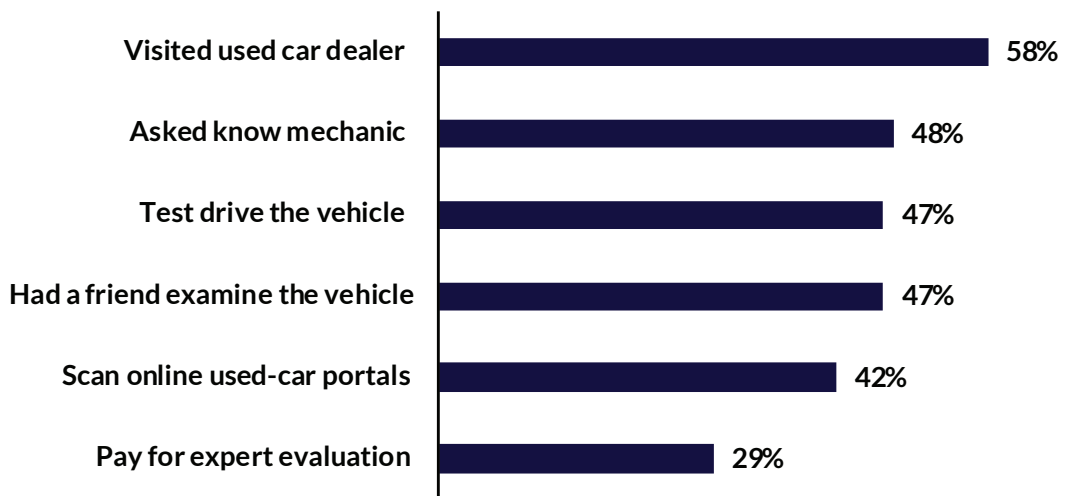
# PURCHASE PROCESS

## ACTIVITIES UNDERTAKEN DURING PURCHASE AND VEHICLE EVALUATION

*A majority of intenders still prefer to visit their neighbourhood car dealers to get a primary experience of the value, specifications, and features of the cars, thus implying that the reach of offline stores is still a major factor in capturing intenders as potential customers. Clearly, these phygital business models are going to make the most of this trend of a multi-touchpoint consumer journey encompassing visits to nearby pre-owned car outlets and online portals.*

### Activities undertaken during purchase process

(Multiple Response) (n=431)



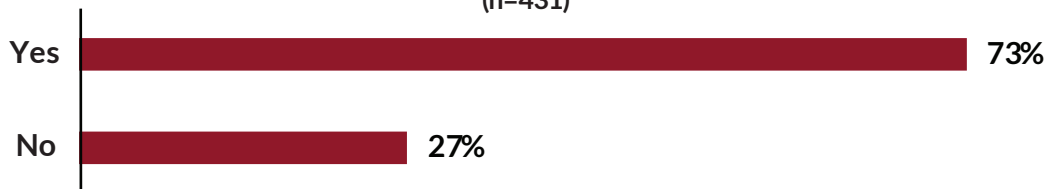


## ROLE OF DIGITAL MEDIUMS

**“ Identifying the right value of a used vehicle is the single largest factor behind visiting the digital portals in the used-car ecosystem.**

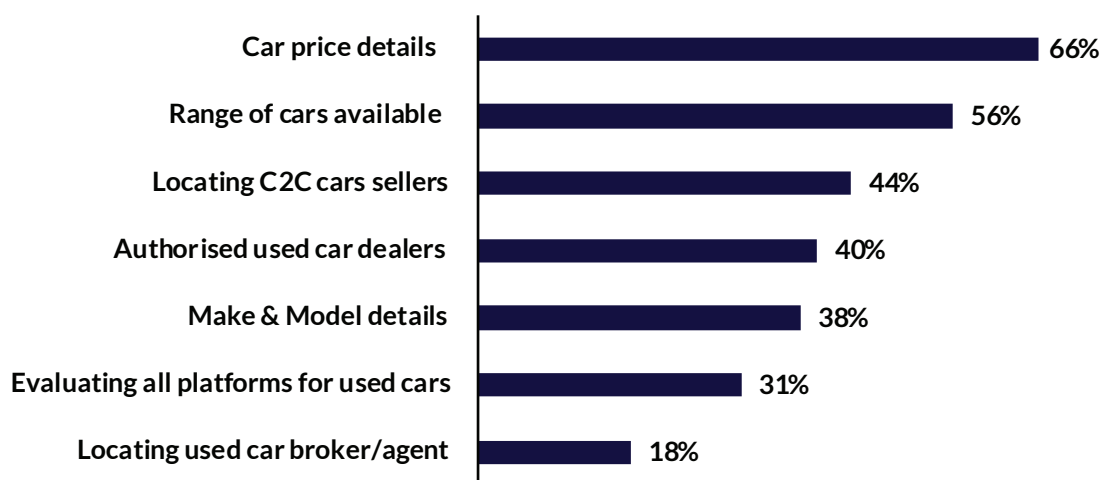
### Use of online websites during journey

(n=431)



### Purpose of online research

(Multiple Response) (n=313)



73% of intenders have used websites/ mobile apps as a part of their journey. This is slightly higher than the pre-owned car buyer's usage, where 64% of respondents used digital portals during their journey. That said, locating nearby dealers(organised/ unorganised) and inventory check online are other key activities consumers looking to buy a pre-owned car are undertaking in their journey.

## IMPACT OF COVID-19

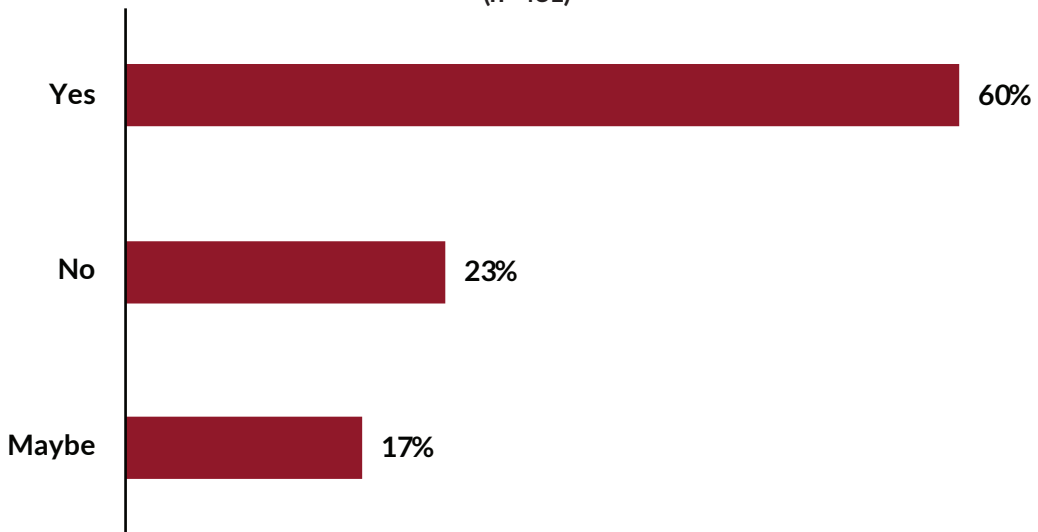
**“ The COVID-19 pandemic has changed the way people approach mobility. Nearly a fourth of used-cars intenders were not at all considering buying a car prior to COVID-19. Consumer sentiments have shown a solid inclination towards using personal modes of transportation instead of public transportation. In general, personal 4-wheeler and 2-wheeler usage will continue to grow.**

**O**f the total buyers covered as part of the study, 23% of them were influenced by the COVID-19 pandemic to make a 4-wheeler purchase. Tier 2 and Tier 3 cities seem to have felt a greater influence of the pandemic on their purchase decision, since this number jumps to 55% in Tier 3 locations and 34% for Tier 2 cities.

### IMPACT OF COVID-19 ON DECISION TO LOOK FOR USED CAR

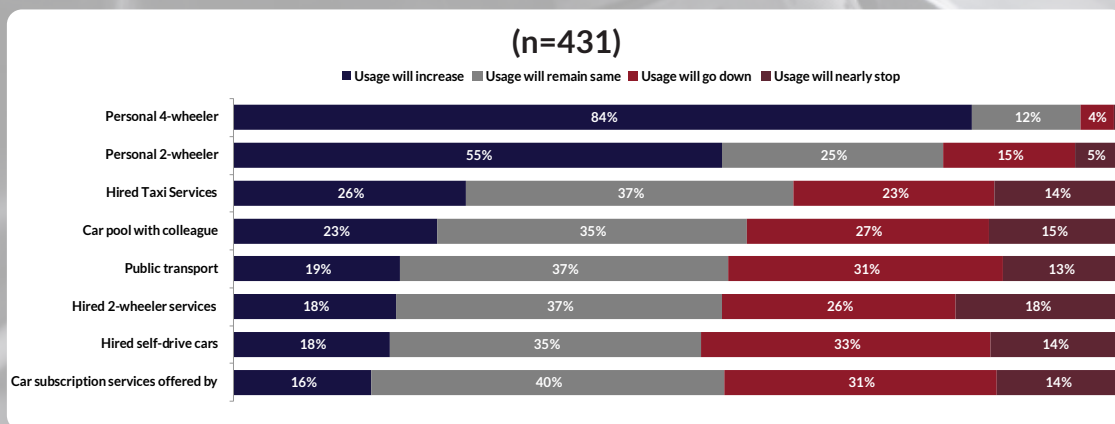
#### Consideration of car purchase prior to COVID-19

(n=431)



## INTENDER OPINION – CHANGES IN MODE OF TRANSPORT MOVING AHEAD

Across tier classes, the sentiment is uniform: usage of personal 4-wheelers will increase substantially in the future.





# THE PRE-OWNED CAR DEALER

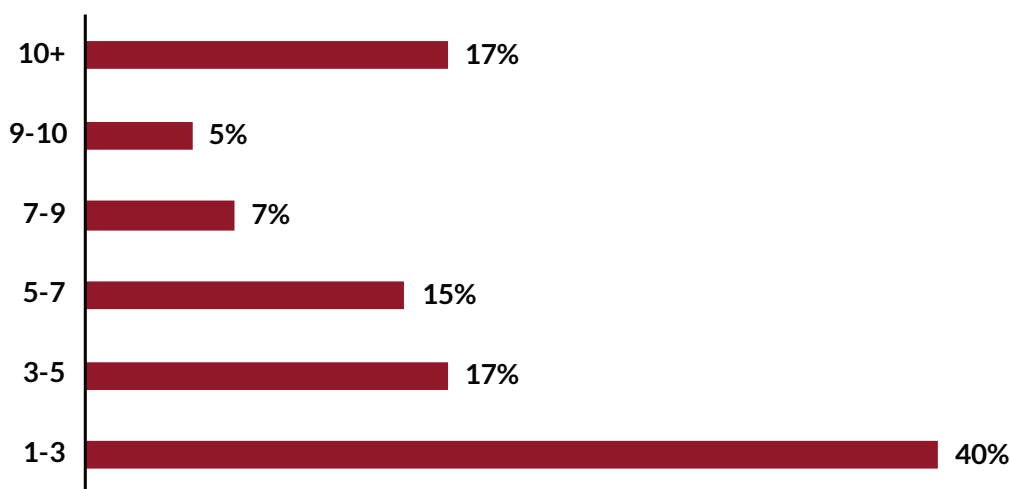
**BACKBONE OF THE INDUSTRY**

## DEALERSHIP PROFILE

**“ A major chunk of dealers in the segment are relatively new as is evident from the data that more than 50% of dealers have been operational for less than 5 years. Despite the industry being in existence for a long time, the share of mature dealers is quite low.**

### Age of Dealerships (in years)

(n=214)



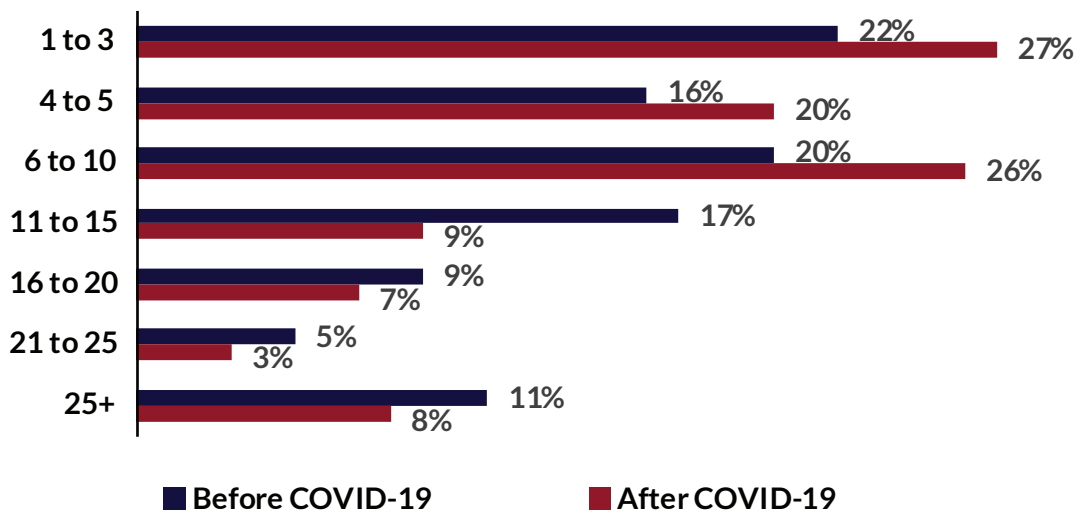


# AVERAGE UNITS SOLD PER MONTH BY DEALERSHIP

**“ The sales volume of dealers selling less than 10 cars per month on average has increased by ~5%, whereas the sales volume of large dealers has decreased by 3-8% as compared to their pre-COVID-19 volumes.**

## Average units sold by the dealer

(n=214)

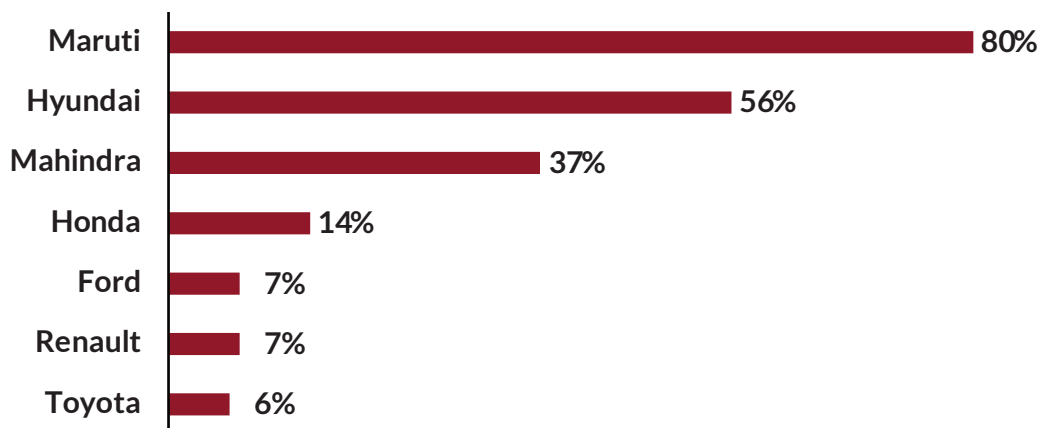


## TOP SELLING MAKES

*There is strong traction for 3 brands – Maruti Suzuki, Hyundai and Mahindra – in the used-car industry.*

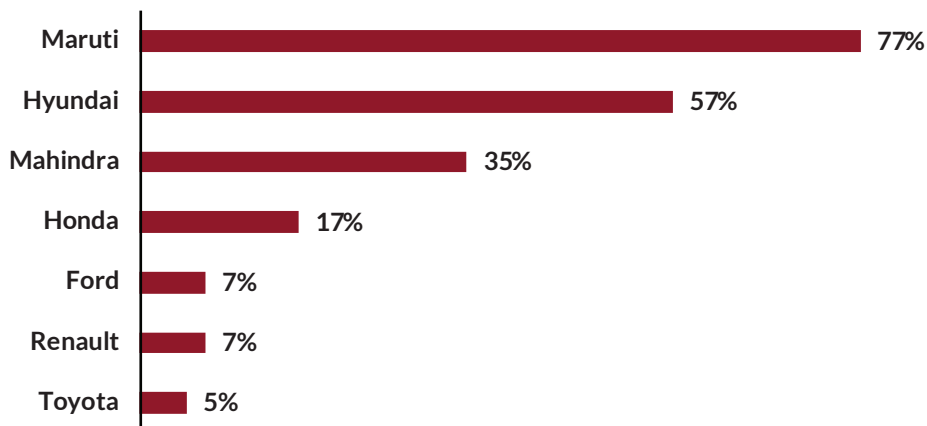
### Top selling makes historically

(Multiple Response)(n=214)



### Top selling makes post COVID - 19

(Multiple Response)(n=214)



Maruti Suzuki, Hyundai and Mahindra continue to be the top-selling makes in both pre- and post-COVID-19 times, indicating a strong trust among dealers in the aforesaid brands. But Maruti Suzuki has witnessed a slight drop in contributions across all zones except West.

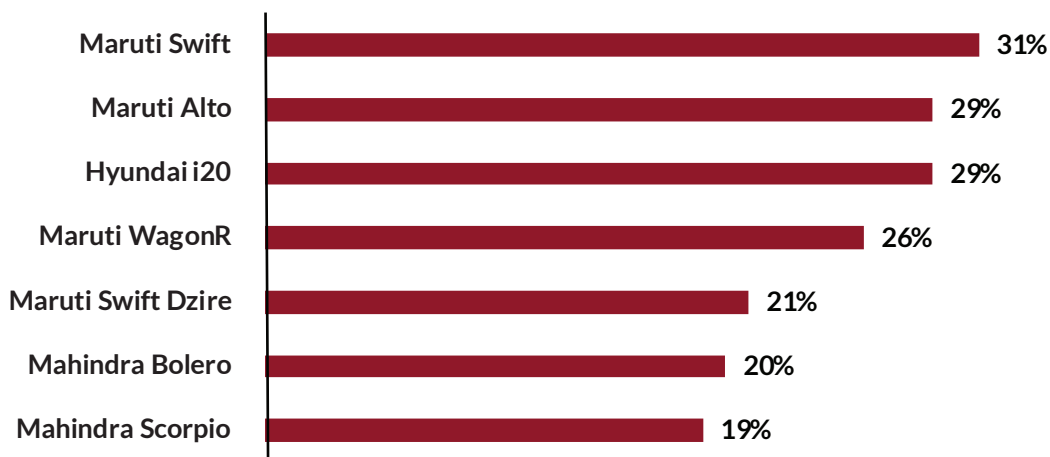
## TOP SELLING MODELS



*Value-based affordable hatchback car variants are the preferred models in the used-car industry.*

### Top selling models historically

(Multiple Response)(n=214)

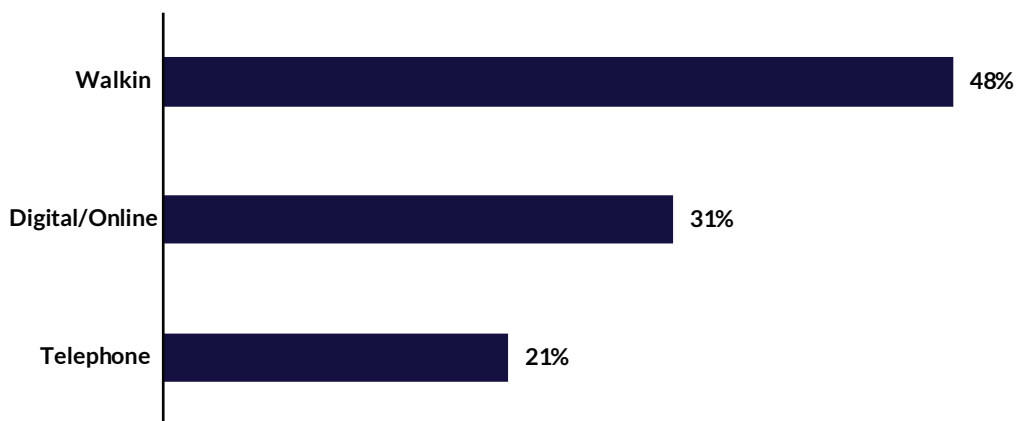


Historically, some of the top-selling models are Maruti Suzuki Swift, Maruti Suzuki Alto, Hyundai i20 and Maruti Suzuki WagonR. The Maruti Suzuki Alto is top-selling in the East and South. The Maruti Suzuki Swift is the top-seller in the North, whereas the Maruti Suzuki WagonR sells the most in the West.

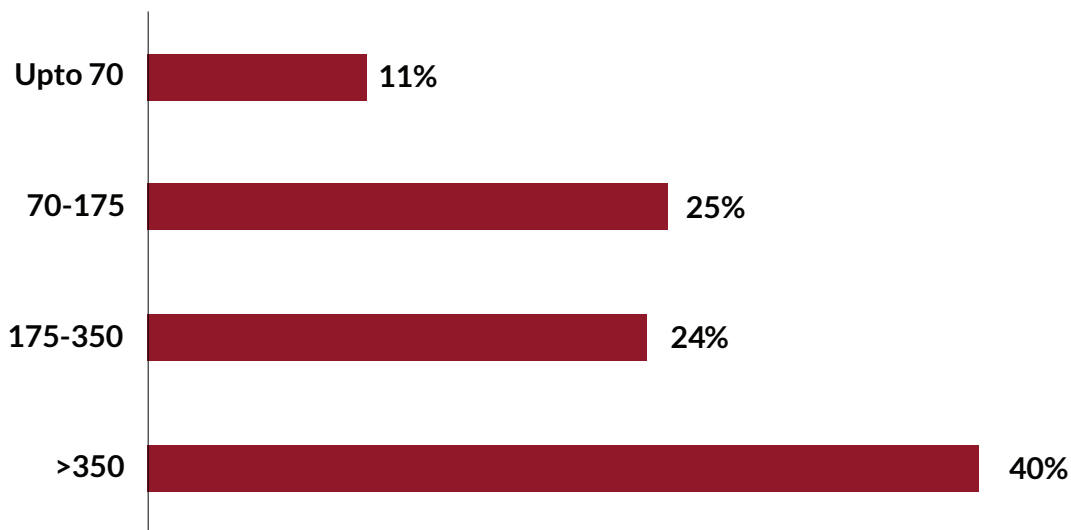
## AVERAGE ENQUIRIES

*Walk-ins remain the preferred channel of enquiries, implying an immense scope for the digitisation of enquiry generation in the future.*

**Enquiries split among different mediums (n=214)**



### Average no. of enquiries handled per month (n=214)



**O**verall, 40% of dealers handle more than 350 enquiries per month. Another 50% handle between 70-350 enquiries, and only ~10% handle up to 70 enquiries. Out of the total enquiries, walk-ins constitute the majority at 48%, followed by digital at 31% with the last being telephonic enquiries at 21%. The South gets the highest digital leads at 41%, followed by North at 31%, West at 29%, and East at 26%.

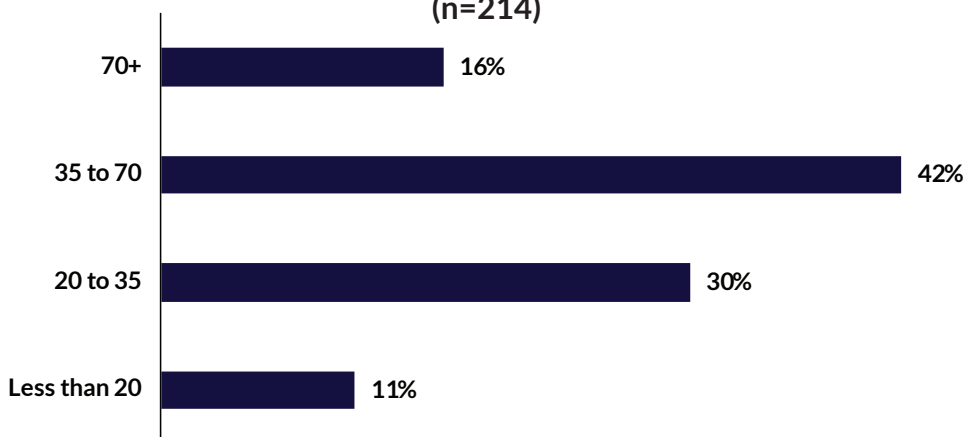


## ENQUIRY CONVERSION RATE



*The used-car industry depicts ~32 enquiries per sale of a car with the South zone witnessing the best performance of ~24 enquiries per sale. The conversion ratio of the sales to enquiry is pegged at ~3%.*

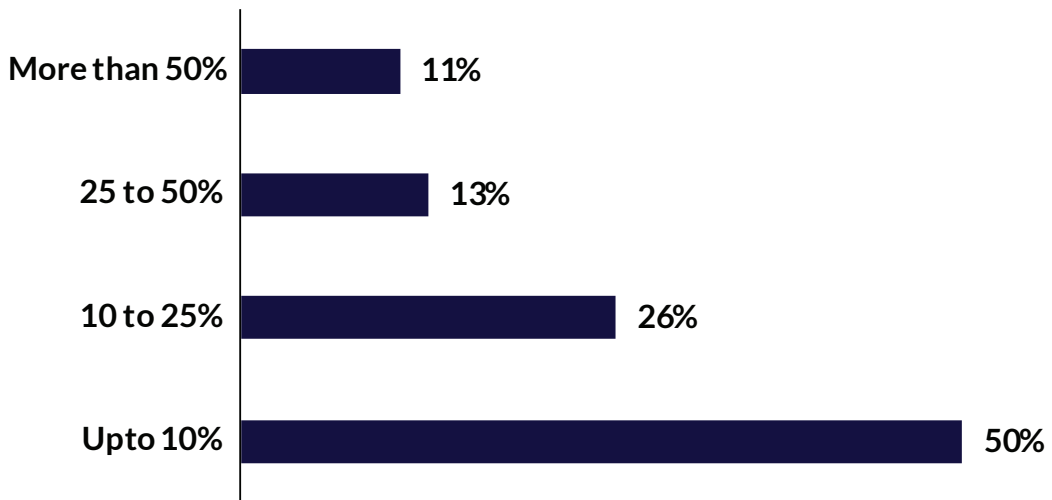
### Avg. no. of enquiries per used car before it's sold (n=214)



South zone dealers receive the highest number of enquiries per used car followed by West, then North and East settle at the bottom. Overall conversion stands at ~3%.

**“ East zone dealers experience maximum (~53%) walk-in enquiries and depict ~56% of enquiries in the <35 range. This implies that walk-in customers in the East zone generate minimal enquires for final sale of a used car.**

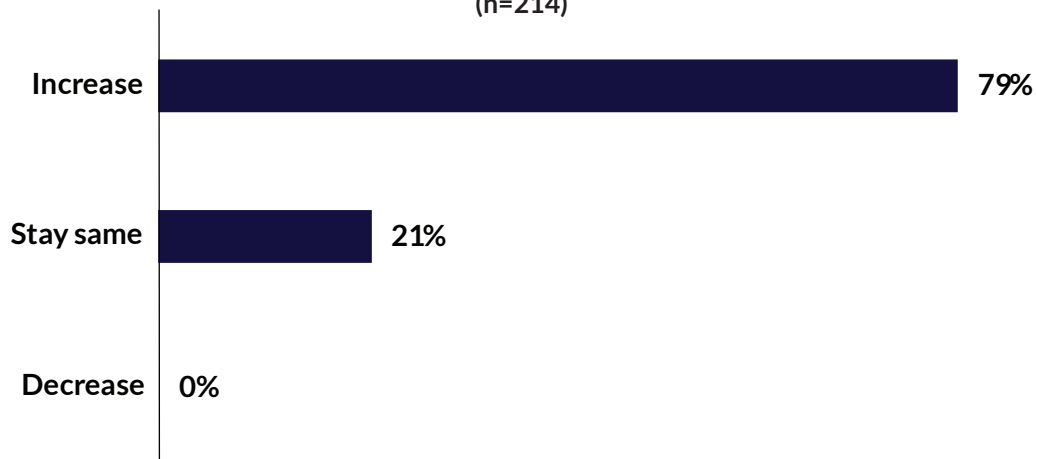
#### % of sales from online sales (n=214)



**T**he dealers seem to attach a lot of importance to Digital mediums of sales with nearly 50% of dealers generating up to 10% of their sales via digital mediums. There's upwards of 25% of dealers who report 10-25% sales from digital channels and an equal number who generate more than 25% sales from digital mediums. 37% of dealer respondents from the South zone have mentioned that greater than 25% of their sales are coming from online channels. East zone on the other hand has the least online sales - ~70% mention that up to 10% sales are from online channels. North and West are almost at par in terms of the share of online sales percentage contribution.

### Impact of online channel on sales

(n=214)

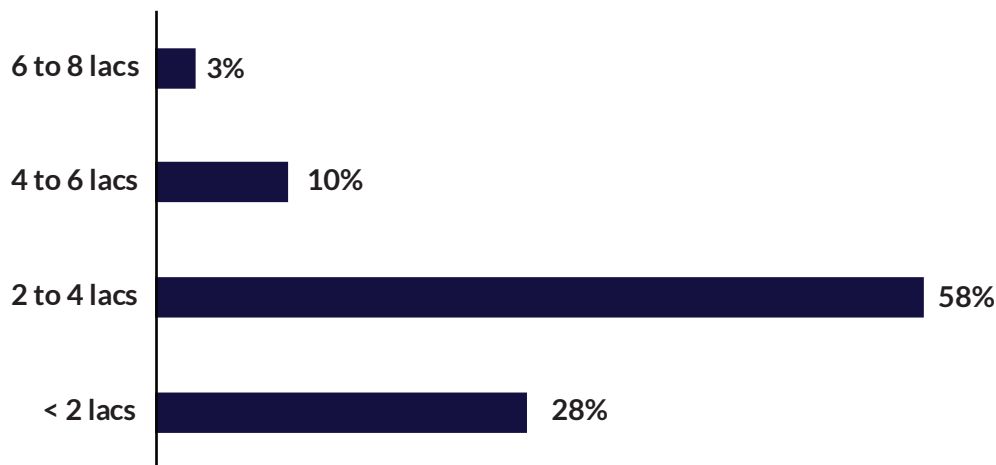


A huge majority (~80%) of dealers believe that digital sales are going to go up by 32% in the near future. This shows that dealers are confident that digital sources will continue to have a positive effect.

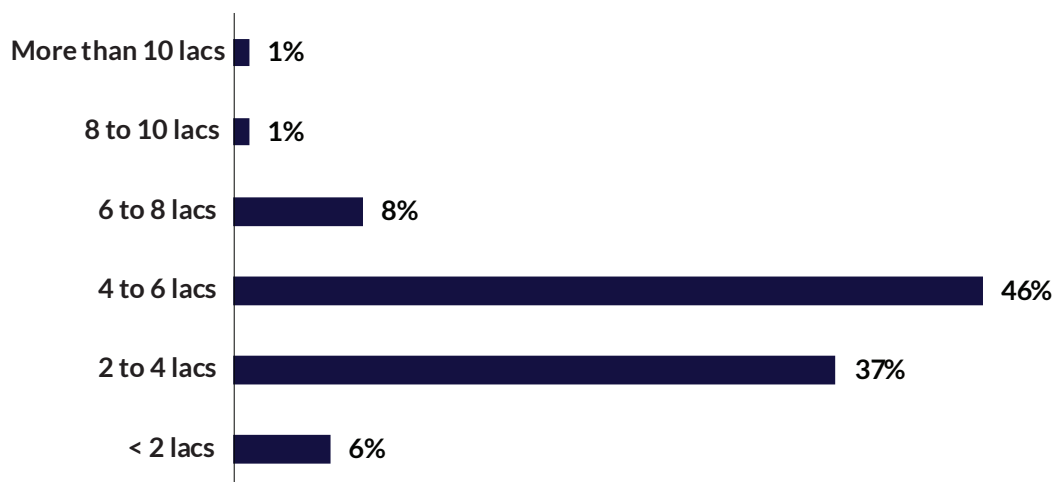
# AVERAGE BUDGET FOR DIFFERENT CATEGORIES

“East and South zones are considered to comprise of value-based buyers owing to the lowest average price in respective categories.”

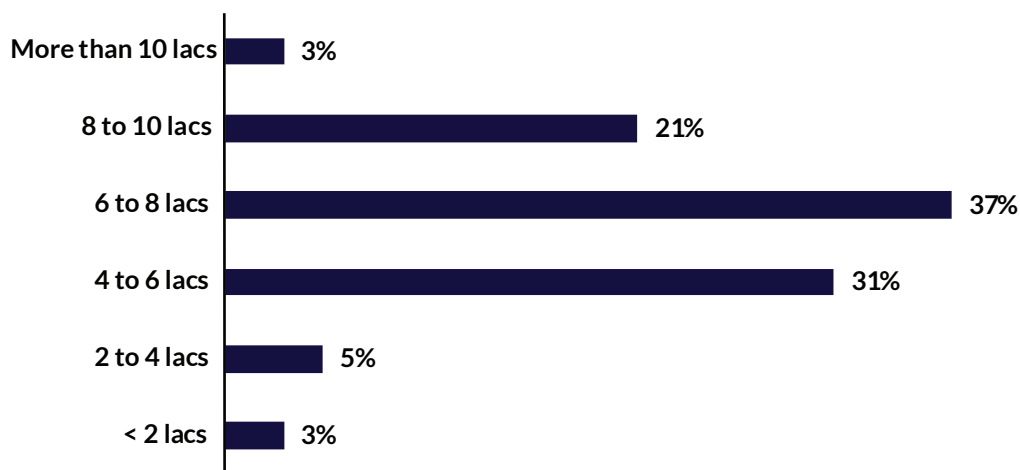
## Budget for Hatchback (Avg Budget: Rs 2,82,000) (n=214)



## Budget for Sedan (Avg Budget: Rs 4,30,000) (n=214)



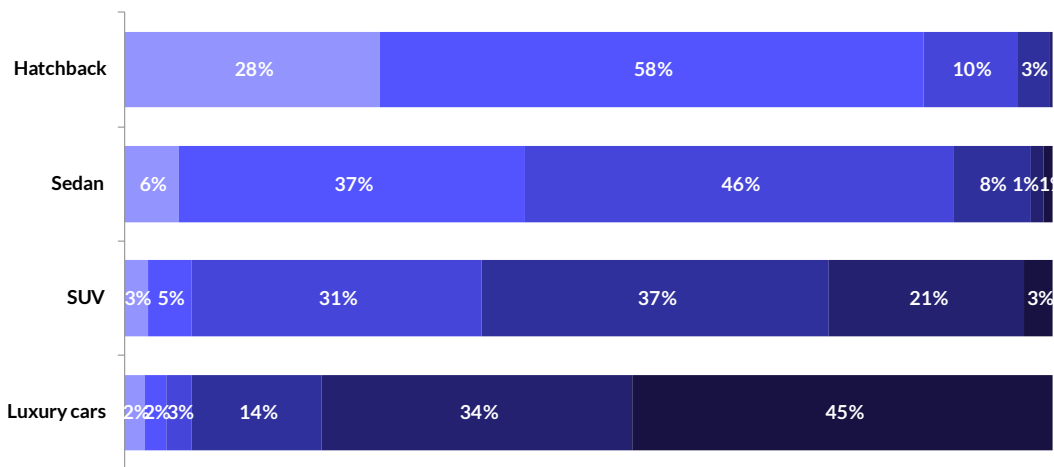
## Budget for SUV (Avg Budget: Rs 6,58,000) (n=214)



## Dealer – Average Budget for used car

(n=214)

■ <2Lacs ■ 2-4 Lacs ■ 4-6 Lacs ■ 6-8 Lacs ■ 8-10 Lacs ■ More than 10 Lacs



**B**roadly the market for the used cars has been categorised into 4 segments based on the budget: Hatchbacks, Sedans, SUVs & Luxury cars, in increasing order. The average budget in each category exceeds the previous category by ~40-50%, implying a huge spread in price and a high barrier to switch to higher categories for customers.



# FINANCE FOR USED CAR CUSTOMERS

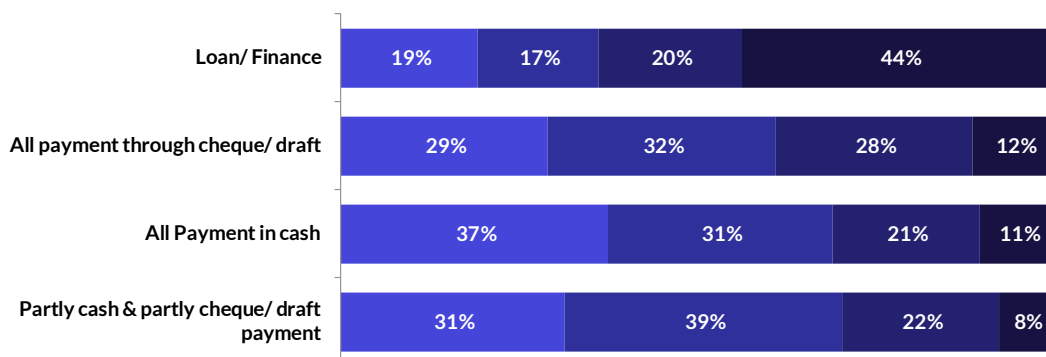
## MODE OF PAYMENT

“Low penetration of financing in the used-car industry is accompanied by a small loan-to-value ratio (i.e. <50%) in a majority of cases. This indicates that financiers/NBFC are reluctant to fund a higher amount for loans on used cars, and buyers prefer to take minimal loan amounts owing to higher interest rates.

### Breakup of Mode of Payment

(n=214)

■ Up to 10% ■ 10-25% ■ 25-50% ■ More than 50%



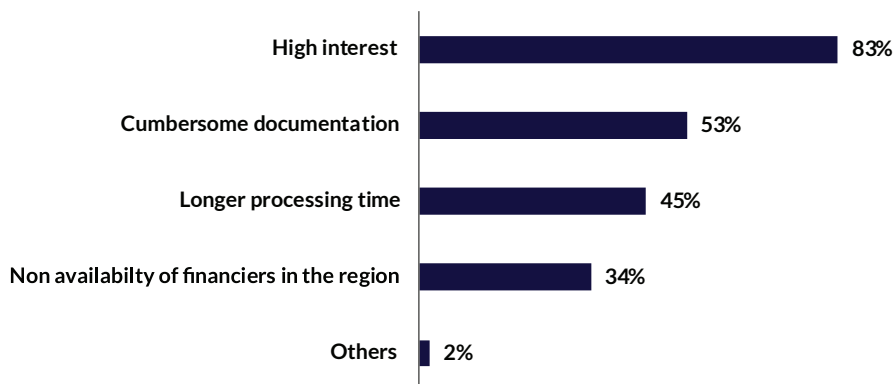
# LOAN / FINANCE ISSUES FOR USED-CAR CUSTOMERS



*A high rate of interest is the biggest barrier to sell financing schemes to customers, and surprisingly, ~34% of dealers still feel that non-availability of NBFCs is hindering the financing channel, implying a wide scope of digitisation in the process to foster better reach of NBFCs/ Financiers.*

## Major issues in financing / loan

(Multiple Response)(n=214)



**H**igh interest rates on loans for used cars remains the biggest barrier for financing for customers, followed by the cumbersome documentation process and longer processing time. Surprisingly, the non-availability of NBFCs/ financiers in the region is also an important factor here, implying a huge scope for penetration of NBFCs/ financiers or for used-car brands to introduce in-house/ captive financing channels.

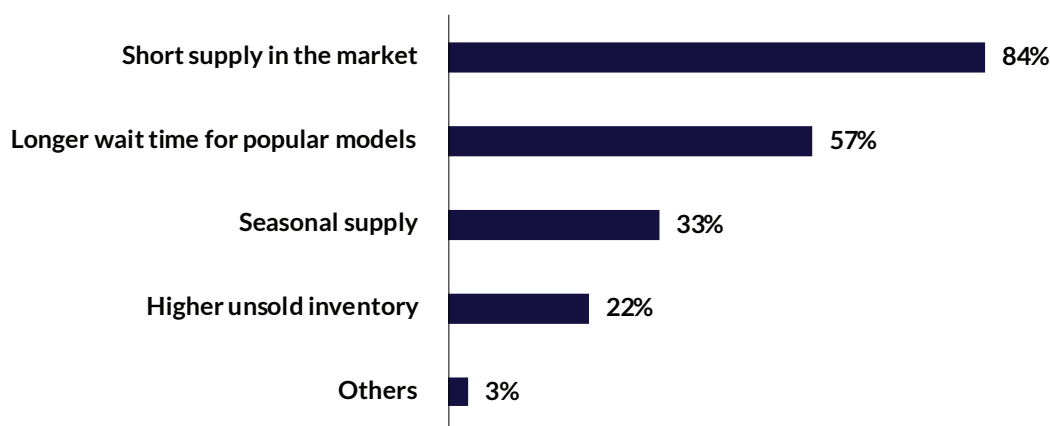
# PROCUREMENT CHANNELS AND CHALLENGES

## PROCUREMENT CHALLENGES

*The used-car market is constrained by the supply side of the new-car industry vehicles, because there isn't any production possible here to support the demands of specific models at specific pricing in applicable regions.*

### Major issues in procurement

(Multiple Response)(n=214)



Unlike the new-car market, the used-car market is constrained by the supply side of the vehicles, because there isn't any production plant available to support the demands of specific models at specific pricing in the applicable regions.

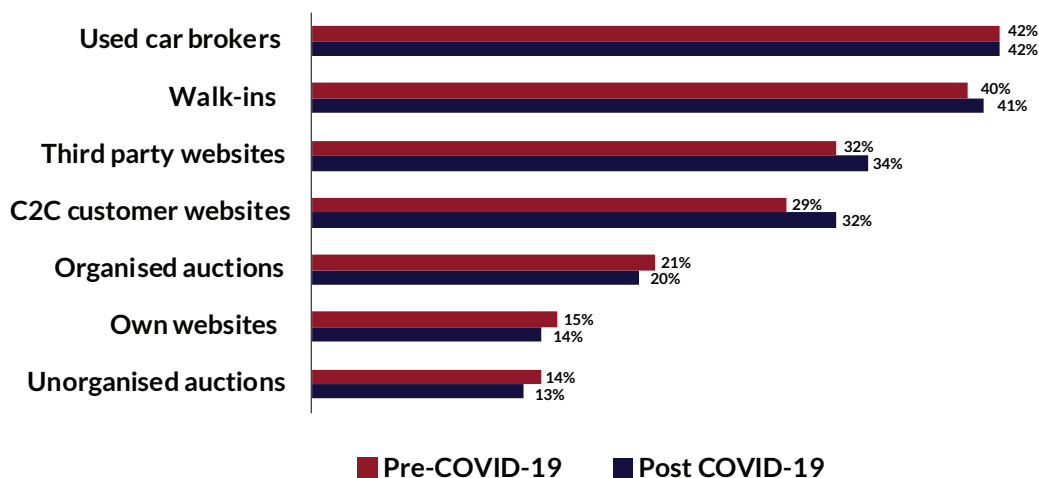
While 84% of dealers highlights that a shortage of supply is the biggest barrier for procurement, 57% of dealers mention a long wait time for popular models, highlighting the need for a robust supply chain in used vehicles to match specific demands.

# CHANNELS OF PROCUREMENT (BEFORE AND AFTER COVID-19)

**“Major avenues of procurement channels remain unaffected by COVID-19 in terms of volume procured. The broker network dominates the supply chain, closely followed by walk-in customers.”**

## Procurement channel - impact of COVID-19

(Multiple Response) (n=214)



**T**raditional supply channels like used-car brokers and walk-ins still remain the top 2 sourcing channels for used-car dealers. Online players, a close second, are increasingly seen as key contributors to the ecosystem. Unorganised auctions and direct customer leads on own websites are the lowest contributors when it comes to supply channels.

COVID-19 hasn't changed the major channels used for procuring used cars. While the broker network and walk-in customers continue to be the most preferred channel for procurement, websites and C2C channels have shown a marginal increment of ~1-2% in their contribution. The East zone continues to lag in adopting digital channels and websites facilitating C2C transactions, highlighting the huge scope to shift from traditional channels to digital avenues.

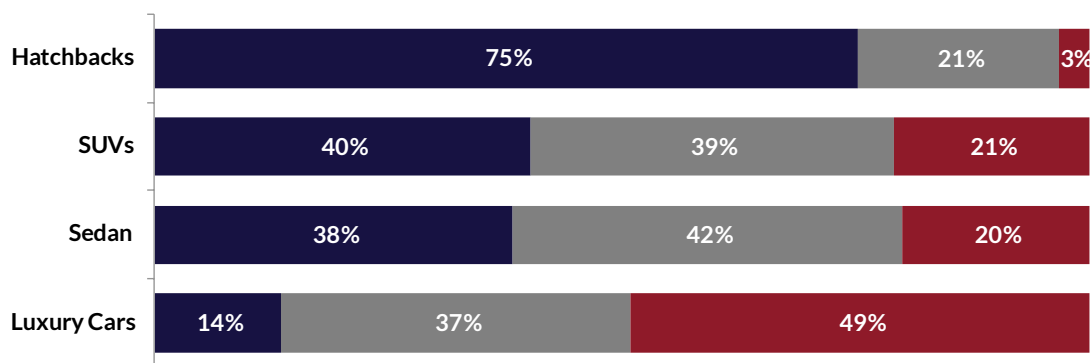
# IMPACT OF COVID-19

## IMPACT ON DEMAND FOR USED CARS

**“ The COVID-19 pandemic has had a mixed impact across different segments of cars. The pandemic pushed a lot of non-car owners to shift to a used car by way of entry-level hatchbacks; 3 out of 4 dealers (75%) feel the demand for hatchbacks has gone up. The next spurt in demand is seen by SUVs, followed closely by sedans. Since the pandemic did impact the disposable income of the general populace, those who were planning to purchase a luxury car have either downgraded or deferred their purchase.**

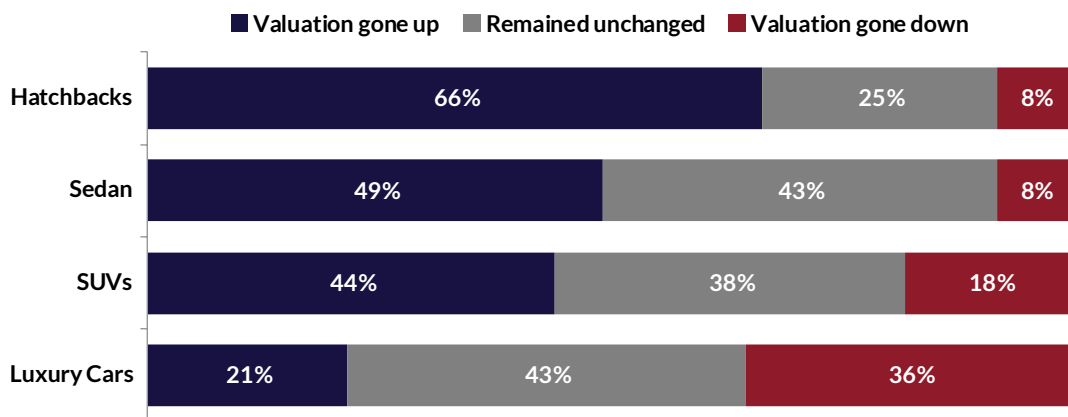
### Demand variations in various segments Impact of COVID-19 on demand of used cars (n=214)

■ Demand gone up ■ Remained unchanged ■ Demand gone down





## Impact of COVID-19 on valuation of used cars (n=214)



**D**emand for luxury cars saw the highest jump in the West zone. Similarly, SUVs and sedans have seen the highest jump in East zone as compared to other regions.

This dramatic variation in demand has impacted the valuations of these cars as well. For example, 2 in 3 dealers feel that hatchbacks have become more valuable. Similarly, sedans and SUVs have also seen an increase in valuation due to the demand pull from the consumer. Inversely, 1 in 3 dealers feel that valuation of luxury cars has gone down post COVID-19.

## DEALER OPINION

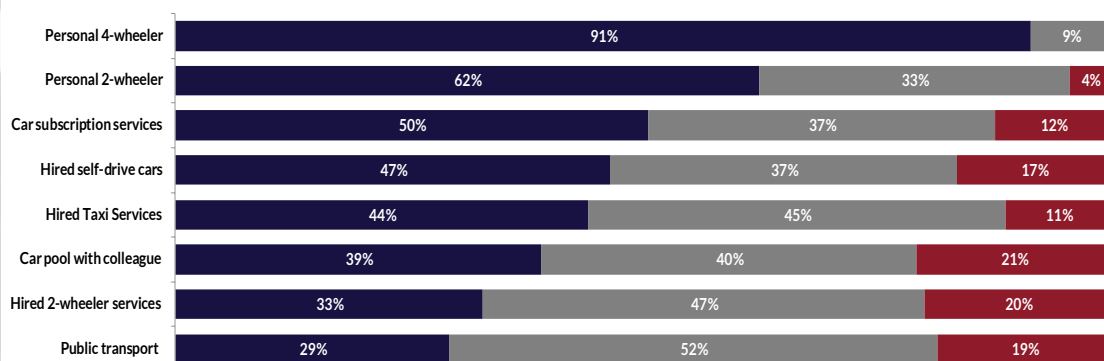
### CHANGE IN TRANSPORT MODES MOVING AHEAD

*There is a strong feeling among dealers that in the future, customers in the used-car segment would drastically shift towards personal mobility from shared mobility, as is evident in the preferences in personal vehicles and subscription options.*

#### Change in transport modes in the future

(n=214)

■ Will increase ■ Will remain same ■ Will go down



The majority of dealers feel that there would be a strong shift from shared mobility to personal mobility for users. This is evident from the fact that ~50-90% of the dealers said that options of personal 4-wheeler, 2-wheeler and subscription services would be a strong driver for future growth.

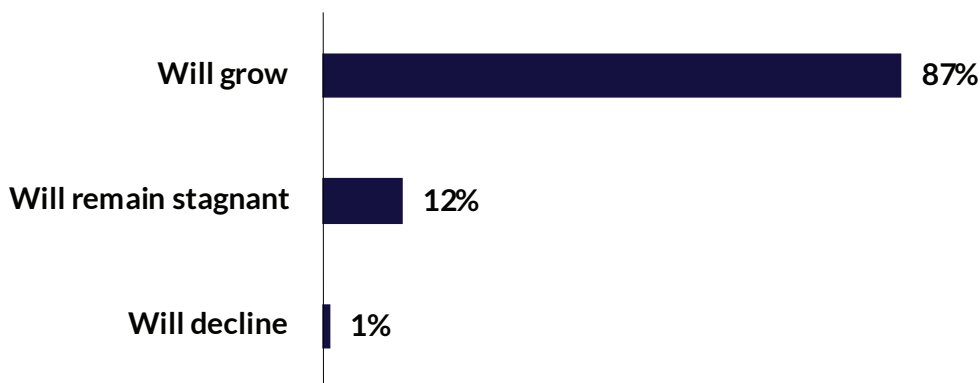
# FUTURE OUTLOOK

## FUTURE OF USED CAR MARKET

*Dealers from across the industry strongly feel that there is immense potential in the used-car industry, with an expected growth of 10-25% in the near future.*

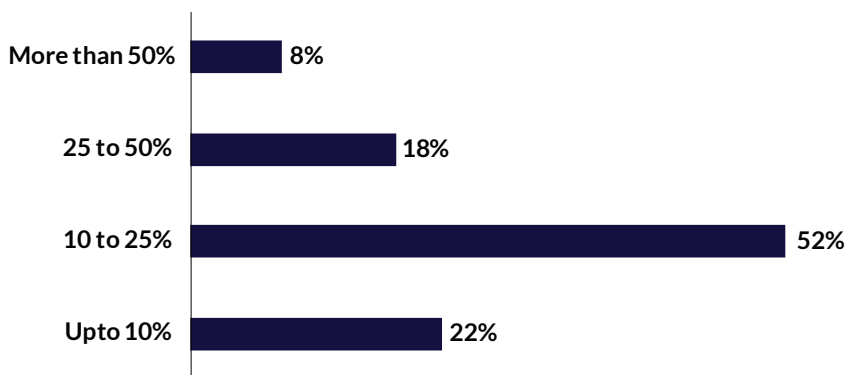
### Future of used car industry

(Consumer demand point of view) (n=214)



### Growth expected

(Multiple Response)(n=187)

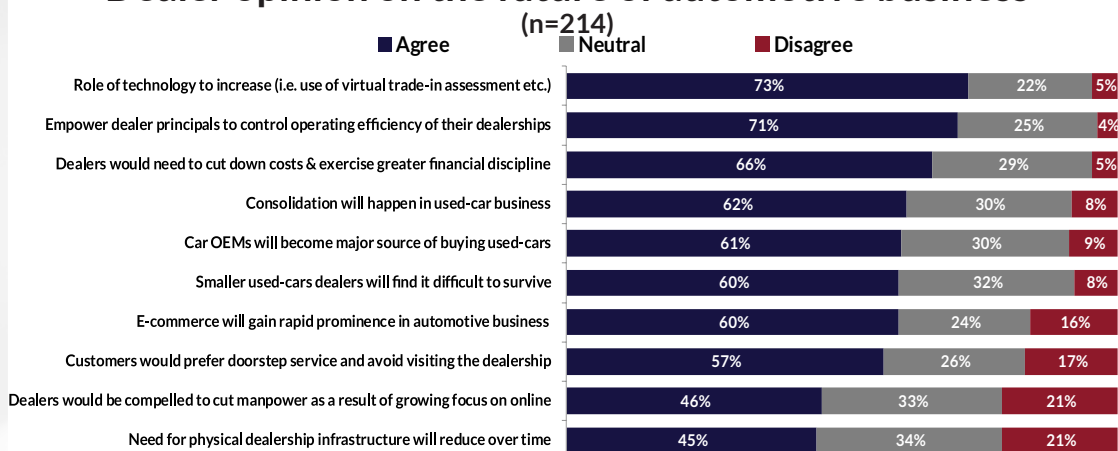


Dealers across segments unanimously feel the market for used cars is going to grow, with a majority of them envisaging a growth of 10-25% in the near future. East zone dealers consist of the most optimistic cluster of dealers, with ~98% of them denoting a growth of their market in near future.

# FUTURE OF AUTOMOTIVE BUSINESS

*A majority of dealers feel that the role of technology will be a key lever for the growth of this business. But at the dealer level, a lot of discipline and control need to be introduced with the involvement and empowerment of the dealer principle to drive the profitability of individual dealers.*

## Dealer opinion on the future of automotive business



Overall, dealers feel that there will be a lot of consolidation of business in the future, making it difficult for small independent dealers to survive. This could create an immense scope for the formalisation and digitisation of the entire industry in the future through the presence of umbrella brands.

Although South zone dealers have had the highest contribution of digital enquiries, they still feel that the physical dealership is here to stay, and digital avenues won't hamper their existing processes.

## APPENDIX

### ABOUT THE STUDY:

**T**he consumer and dealer study covered in Chapter 2 was conducted with PremonAsia, a consumer insight-based consulting firm based out of Singapore. This survey was conducted in Feb 2021 with 2000+ buyers, 1900+ sellers and 400+ intenders, and 200+ pre-owned car dealers at a PAN India level. All three tier classes of cities were covered under this survey, with some of the cities being Mumbai, Delhi, Trichy, Patna, Hyderabad, Jaipur and Ludhiana among others. This report also includes data available on the public domain with the sources cited below for reference.

### SOURCES

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- \* National Independent Automobile Dealers Association
- \* Tracxn.com
- \* OECD
- \* OICA
- \* Manheim's Used Car Market Report
- \* Mahindra First Choice transaction data
- \* Industry experts estimate
- \* Google Adwords
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- \* IBB Report 2019
- \* IBB Report 2017
- \* IBB Report 2016
- \* IBB-Premon Asia Customer Profile Study 2009

### AUTHORS OF THE REPORT

- \* Abhishek Agarwal
- \* Karan Gulati

### SPECIAL THANKS TO

- \* Jigar Buddhadeo



## ABOUT INDIANBLUEBOOK

IndianBlueBook (IBB) is the industry-first pricing guide for new and pre-owned vehicle valuation in India. With exclusive access to a large number of car transactions that take place every day through different channels, IBB derives scientific and insightful inferences that lead to vehicle price discovery. Whether you're buying or selling a vehicle, IBB helps you discover its real worth. Through various transactions on different customer-facing and B2B channels, IBB's analytical engine logically deduces a pricing index that is then used to derive the benchmark market price of any vehicle. In essence, IBB is a one-of-a-kind valuation platform based on rigorous research and pure rationality. It is driven by the sheer passion to demystify the data points of a million transactions, thus ensuring that you never overpay or never undersell. IBB offers a wide array of tools, such as Total Cost of Ownership (TCO) and residual value analysis, regularly updated reviews and insights via its blog, and a platform that enables its customers to buy and sell vehicles, thereby serving as a one-stop shop for customers looking to research vehicles.

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