

An Overview of Pre-Owned Car Market –A glimpse of Post-COVID Scenario

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Abstract

In the modern days people feel to have their own mode of transportation than depending on public or shared means of transport. This has necessitated people to think about owning a two-wheeler and gradually a shift from necessity to convenience to buy a four-wheeler. The cost of new car is very high which made people to buy a pre-owned car. This article addresses the present scenario and the challenges faced by the pre-owned car industry with reference to Covid-19.

Key words: *Pre-owned car market, key players, post covid-19 impact, challenges.*

Introduction

The used car market plays a vital role in today's scenario. All people cannot afford to buy new car, so there comes the need to buy the pre-owned car from organized or unorganized sector. The Indian automobile sector is undergoing a tremendous digital transformation. It is all due to COVID-19 pandemic which has accelerated the emergence of automobile players in pre-owned car segment. Four-wheeler has become an essential product to each and every family due to the convenience in travelling with their family members. Day by day the demand for pre-owned cars are increasing, the customers find it convenient to browse a used car of their choice and make a purchase after due inspection on the physical outlet.

Pre-Owned car market

It is due to COVID-19 crisis, the new car sales contracted by 17.8%, while the used car sales has increased by 5% during the financial year 2020. The pre-owned car sales in India is currently 1.5 times more than the new car sales. The gap is projected to increase in the emerging years. There are many factors which contribute to pre-owned car sales such as easy availability, increased need for personal mobility, affordability and the emergence of online players in the pre-owned car sector. The online players are increasing the sales network by providing the history, buy back options, extended warranties and addressing the post-sales problems to the customers.

Present scenario of used car market

Even though the pre-owned car market is almost twice than that of the new car market, it is still unorganized. It is still bifurcated in to multiple players focusing on physical sale through cash. It happens through the organized and unorganized dealerships. Earlier there were only prominent automobile manufacturers like Maruti Suzuki, Mahindra & Mahindra, Tata Motors etc. Due to digital transformation across industries, the new auto startups are emerging to disrupt the pre-owned car market. Thus, playing a crucial role in driving the sale of pre-owned cars online and bridging the gap between the physical and digital sales. There is a huge reduction in the ownership period of cars. The usage of cars by the customers is for a period of six to eight years, which has now been reduced to four years. It is further expected to fall by three and a half years. Due to these factors there comes the need for the customers to buy pre-owned cars. Since the purchase of new cars cannot be done so frequently.

Increased personal mobility

It is all due to rapid increase in population the pandemic has contributed to non-usage of public transport and it has necessitated the need for individual cars. It has made many people to avoid shared transportation facilities such as carpooling etc. People travelling in public and private buses have avoided such facilities and has made up their mind to own a car. From metro to non-metro cities, people are focusing more on social distancing norms, health safety is their prime role. Hence, people are able to spend their disposable income in the form of luxurious pre-owned cars driven by their affordability.

Key Players in Indian Used Car Market

Cars24, Maruti True Value, Mahindra First Choice Wheels, OLX, Big Boy Toyz are the major companies operating in India Used Car Market. There are various factors which drive the customers to buy the above used cars such as the outbreak of Covid-19, raise in income levels, increasing demand for change in model of the cars, shorter car ownership periods, booming import-export, growing preference of two-wheeler owners to upgrade their vehicle to pre-owned four wheelers. The used car market was valued at USD 250 billion in 2020, and it is anticipated to reach USD 403 billion by 2026, at a CAGR of more than 10% during the forecast period.

Technology in used car market

It is all due to the usage of smartphone and internet penetration in emerging economies, the used car market is much more organized. The used car retailers are using digitalization technology to make the market attractive to the customers. More number of images such as photos, videos are used in the online platform to promote sales. Many retailers are using artificial intelligence and big data analytics to differentiate their brand from others. The market is dominated by unorganized players. They make revenue through commission and sale of used cars through online platforms. The Asia Pacific region is expected to be the largest market, followed by North America and Europe. Due to the gradual growth in the organized sector, the market situation is changing. The major players like Toyota, BMW etc have ventured in to used car in India.

Boom in pre-owned car industry

It is all due to the new models of cars by most of the Indian and global car makers in India has resulted in fast replacement cycles. Decreasing prices and aggressive sales promotions of various car makers motivate the car owners to sell their used cars. Demand for pre-owned small cars has increased from owners of two- wheelers to upgrade from two wheelers to cars, as the price gap between a new two- wheeler and a pre-owned car is negligible. The new customers will first go in for pre- owned cars to learn well to drive the cars in cities. Increasing income of middle-class families in India is one of the major reasons for growing demand for new and pre-owned car over a new car. The cost of ownership of the vehicle is significantly less when compared to a new vehicle. It is mainly due to high depreciation, higher taxes, RTO/Registration fee and expensive vehicle insurance policies. The market size is expected to grow to 70.8 billion USD by 2030 with the compounded annual growth rate of 14.8% between 2021 and 2030.

Major factors influencing to buy pre-owned car due to COVID- 19

➤ Shift in customer buying behavior

Customer buying behavior is the major factor around which the sales functions. Used cars have much more acceptance among the general public. It is highly accepted by all the people due to less cost and they are able to get luxurious and imported car at a cheaper price. Hence, the buyer finds the used car as a better option that meets the price sensitivity and value consciousness.

➤ Convenience and affordability

Non- metro cities exhibit a high demand for pre-owned cars and the customers find it convenient to buy the used car due to their affordability and convenience. The customers are able to book the car online after due inspection. The product exhibits a 360 degree view, augmented reality and virtual reality to give a complete view of the car to the customers. The online players are making high sales by providing the history of car details to the buyers by giving buyback options, extended warranties and adhering to arrangement of finance and solving post- sales problems.

➤ **Decreased usage of public transport in the post COVID situation**

Increase in population has surpassed the usage of public transport facilities in all cities. The pandemic situation has made each family to own a private transport facility in terms of owning a new car. This cannot be afforded by each and every people, so they go in for pre-owned cars. People travelling in public and private buses, availing of carpooling services were forced to focus on personal mobility mediums. Thus, the pandemic situation has made to maintain social distancing whereby even the lower-income groups were able to buy a pre-owned car.

➤ **Rising prices of new cars**

The car companies like Maruti, Mercedes-Benz and Audi have hiked the price of their products on all or select models offered on each January. It may be due to input cost or operating costs. These reasons will boost up the sale during December of each year. Hence, the price rise of four-wheeler has a great impact to make a move to pre-owned cars.

➤ **Chip shortage and Long waiting period**

The global shortage of semiconductor chip poses a massive threat to the automobile industry during the lock down period the production was hampered. Due to this problem people go in for pre-owned cars, which are available very quickly to the customers. Some of the popular models in India have a very long waiting period for more than ten months. Hence, this is also another reason for moving to this market.

➤ **Online platform to buy pre-owned cars**

There are certain online platforms to buy pre-owned cars which makes the customers to buy very much easily. They are as follows:

- Cars 24
- Droom
- Carwale
- Car Dekho.com
- Truebil

The above online platforms provide quick information to the customers regarding buying and selling of cars. The portal provides non-biased information of the vehicles through owner reviews, expert reviews, detailed specification etc. They also provide feel the car tool by giving 360-degree interior and exterior views with sound of the car and other features like videos, price, model, live offers and promotions in all cities. The users can upload their car details for sale and they also can view the used cars which they need to buy.

Consumers demand law for protection of pre- owned cars

The consumers of pre-owned car demand law for protection and to regulate the fast-growing market. The used car industry has both online and offline players who act as intermediaries between the buyer and the seller. The sale takes place through online platforms, physical offices, garages etc. There is no regulatory authority for these intermediaries until the car is registered in the name of the final owner.

According to the motor vehicles Act – The law on sale, purchase and registration of motor vehicles is unable to keep up with the changing dynamics in the market, particularly with respect to the role of intermediaries. The law is silent on these evolving market practices in the pre-owned car industry which puts the consumers at risk till the registration is transferred to the ultimate owner,”

Global status of pre-owned car market: India– Fifth largest in the World

The highest market is China followed by USA, Japan, Germany and India ranks fifth place. Five million used cars are being sold in India every year. The driving forces for growth of used car market includes data monetization, in-vehicle connectivity, subscriptions, long-term maintenance packages, reduced period of car ownership among the millennials, transition from Bharat Stage (BS IV) to BS VI (An emission standard norm by Government of India) to regulate the output of air pollutants.

Challenges faced by the pre-owned car industry

➤ **Financing of pre-owned cars**

The pre-owned car finance penetration in India is under 15% whereas the new car is approximately 65%. Finance penetration is significantly higher in the organized channel (40% in metros and non-metros), whereas in the unorganized it is highly fragmented with higher channel cost.

➤ **Government restrictions**

Statutory requirements in emission norms are posing a serious threat for the growth of pre-owned industry. Due to strict emission norms, it is highly difficult to sell the old cars with diesel engines.

➤ **Competition among Online and Offline sellers**

There exists heavy competition among the online and offline sale of pre-owned cars. This stiff situation brings down the cost cutting of online sale when compared to physical setting up of sale points.

Conclusion

The pre-owned car dealers have to play an important role in promoting sale of the product to their customers. They are in the position to provide adequate discounts, offers etc to attract the customers. They have to equally compete with the unorganized sellers also. The Government has to provide adequate facilities for easy financing of pre-owned vehicles and less procedural formalities will make the sale easy to the customers. Adequate marketing strategies have to be followed to make the customers aware of the product and thereby satisfied customer will pass on the information to their friends and relatives so that every family can own up a car to avoid overcrowding in public transport which prevents the virus spread and promotes a healthy nation.

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