

The Future and Challenges of the Preowned Car Market in India- A case study

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Abstract

The requirement of human beings always brings new concepts and designs to the world. A preowned market is one such important need of the present modern arena. The preowned market has grabbed customers' attention since the trend of exchanging goods without any money was introduced. If we look closely, this concept was initially implemented by the Mughal emperors, which regained attention. There are many reasons this resale market is worthy enough, the best alternative and excellent competition for the new manufacturing units. This preowned market is not only best given economic reasons but also impactful for social and ethical reasons. Among many preowned markets in India, the preowned automobile industry has gained an excellent market in a concise period. The regular transfer of individuals and continuously and drastically changing technology is the primary reason behind the increased preowned automotive market. Another essential reason is expendable income and accessible financial support from various agencies, specifically for pre-owned cars. Considering the rapid increment in the preowned car market, this company analysis article investigates one of the significant trending companies called CARS24 in the preowned car market. This study is based on various surveys and analyses from different customers and showrooms. This analysis also considers the cumulative findings and suggestions to overcome the present problems related to preowned cars.

Keywords: preowned automotive market, Preowned Cars, Cars24; Customer Behavior.

Introduction

The present market is mainly based on exchanging materials in place of solid money. The purchase of new goods is not attracting all the customers due to the cost and continuous technology change. The exchange or using a preowned material has had its own story since the item is no longer helpful for the existing owner but can be extremely useful for the needy [1]. Research studies and analysis show that digitalization was implemented to maintain the upcoming technology and increase the tendency and market of re-commercialization. The increase in digital advertisement, usage of social media, and customer behavior of the new generation has drastically increased the progression of second-hand materials [2, 3]. Especially in the last 25 years, purchasing preowned materials has become famous worldwide and is worth billions. Among different preowned industries, automobile industries have fastened purchases, specifically the preowned car market. The demand for pre-owned cars increased worldwide because it provides and fulfills the requirement of high-quality, comfortable cars at a very reasonable price. A used car is sold for every new car purchased. In compared to the 18 percent growth of the new car market, it is increasing at a quicker rate of 26 percent [4]. Moreover, there are many industries have become a biggest market who exclusively deals with the sell and purchase of preowned cars with the detailed technical checking. Buyers are unable to receive appropriate vehicle information due to information asymmetry between consumers and sellers, and sellers might take advantage of this to sell lower-quality cars to uninformed buyers [5]. These industries and platforms provide symmetric information and transparency to give customers continuous service and the best experience with detailed information about all the pre-owned cars. The global market of preowned cars reached approximately 15 billion units by the end of 2019, continuously increasing specifically during the pandemic [6, 7]. Fig.1. shows the global market insights and market of used cars.

Customers today are more concerned with saving than with spending. In Covid's rough times, the influence on people's spending capacity is proportional to their cognitive process [9]. The present pandemic decreased the supply chain and purchasing power of many preowned cars among people. Initially, during Covid-19, the sales of preowned cars have reduced in India due to social distancing and lockdown norms. But at the same time, many have sold their good quality cars in requirement of money during this time. So, after a specific duration, the improved quality preowned cars after extensive servicing were available in the market, attracting the attention of many consumers [2, 10].



Fig.1. The global market insights and market of used cars [Ref: 8]

In India, Maharashtra had the largest share market of preowned cars. In addition, the less price and easy availability of preowned cars was a favorable industry with good growth opportunities. Fig. 2. shows the growth of the used car market in India. To avail the facility of preowned cars to the customers, many leading industries, original equipment manufacturers, and big dealers such as Cars24, OLX autos, and Quikr play an essential role in India. Buying preowned cars is a relationship between the dealers and customers based on trust and respect to ease the purchase.

Here we present a case study of Cars24 services Pvt. Ltd., one such company among many dealers who consistently maintain a symmetric relationship with buyers and sellers by checking and providing every detail of the automobiles. Primary services such as better availability, reliability, affordable pricing, finance availability, and easy repair options make Cars24 the best-growing industry. Fig. 3. shows how the pandemic changes the family's decision to buy preowned cars.

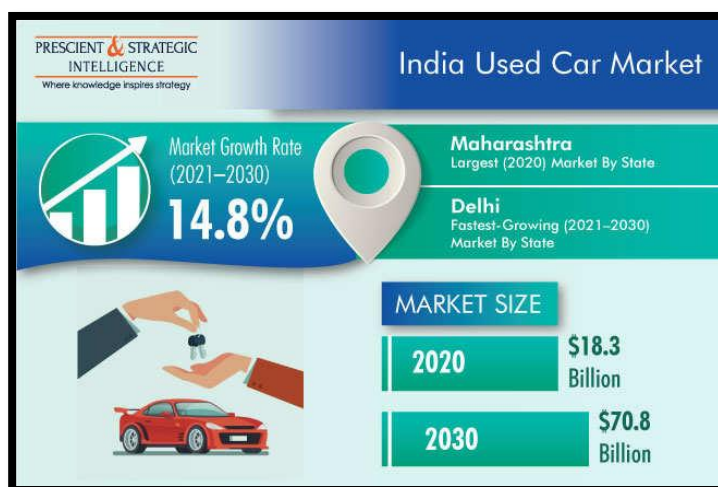


Fig. 2. The growth of the used car market in India [Ref: 11].

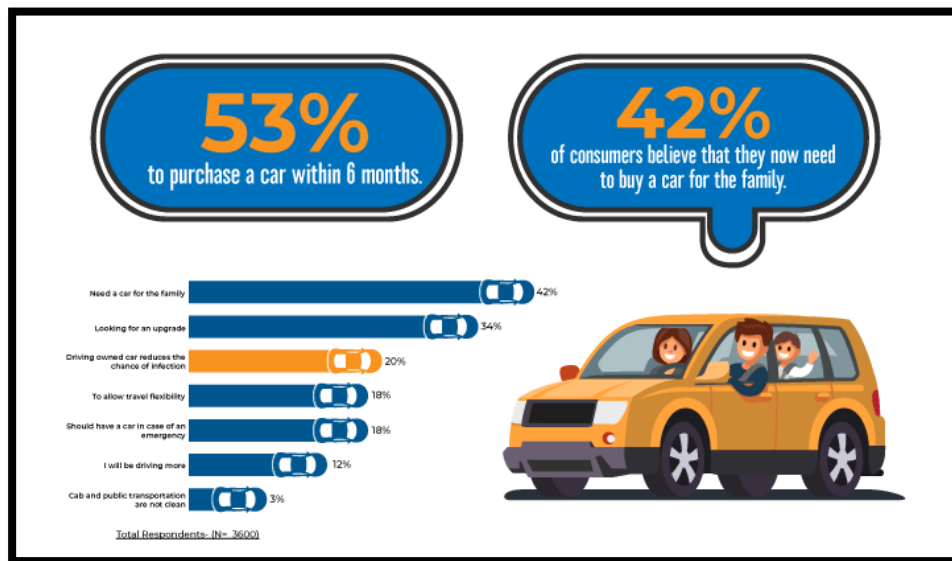


Fig. 3. Family needs and risk of infection increased the demand for preowned cars [Ref: 12]

Statement of the Problem

Customers of preowned cars are constantly buying them to learn or experience different models and upcoming technologies. The buyers of the preowned are always looking towards the economic feasibility and quality simultaneously. Instead of buying one to one process, customers believe in the dealers such as Cars24 to get surety given testing and avoid paper transfer problems. Therefore, this study tries to bring all the objectives from the dealers' and customers' perspectives on the same platforms. This study will be the best reference material for the customers to significantly decides on the dealers and product. This study's outcomes will surely benefit sellers, buyers, and dealers.

Scope and Objective of the Study

This study covers the overall perspective of dealers and customers while buying and selling pre-owned cars. The study covers the complete analysis and essential factors that increased the demand for preowned cars. This study also reveals the significant problems customers and dealers face during any purchase or sale of cars.

The primary objectives of the present study are the following:

1. Factors and importance of preowned cars.
2. Influencing factors that increase the demand for preowned cars.
3. Problems and future market of preowned cars.

Importance and Market of Preowned Cars

In the last few years, especially during this pandemic, many industries have suffered due to the global economic slowdown. Among all this backdrop, the preowned car market has many reasons which prove to be worth it. Digital networks and platforms, retail pricing, and well-established enterprises' experiences were the primary reasons behind the success of the preowned car industry [13]. Adding to this, the increasing need for a personal automobile at an affordable price is another important reason. There is an essential perspective of preowned cars called a macroscopic view. This explains the industry area, market size, and industry growth. This also defines India's complete pre-owned car market and the car industry's supply chain. Even after having many complexities related to sellers and stakeholders, the preowned car market in India is in a continuous boom.

After the primary research on the pre-owned car market, we discovered that the CARS24 preowned car industry had attracted customers. As CARS24 is a multitasking platform that performs selling, buying, and dealing the preowned cars, it's easy to find all the perspectives from the customer and dealer side on the same platform. Fig 4 represents the pains and gains of the owner and dealer of the cars. Cars24 has one of India's fastest-growing auto tech spaces and industries. Since 2011, Cars24 has had its best reputation and healthy regular growth pattern, mainly due to the Covid-19 crisis. Until the end of year 2020, the strength of Cars24 increased by including 1000 employees and market in 130+ cities, making it a key angel market of preowned cars. During this pandemic, 100% growth has been witnessed in the growth and increasing demand for Cars24 among customers. Key factors such as zero down payments, easy test drive, 7 days replacement with full payment return, 6 months easy warranty, easy paper transfer processing, growth in online channels, and certified pre-owned cars make Cars24 the first choice among customers. In the financial year 2020, Cars24 stood at approximately 4.5 million units in the Indian pre-owned car market, which was 50% higher than the new car industry.

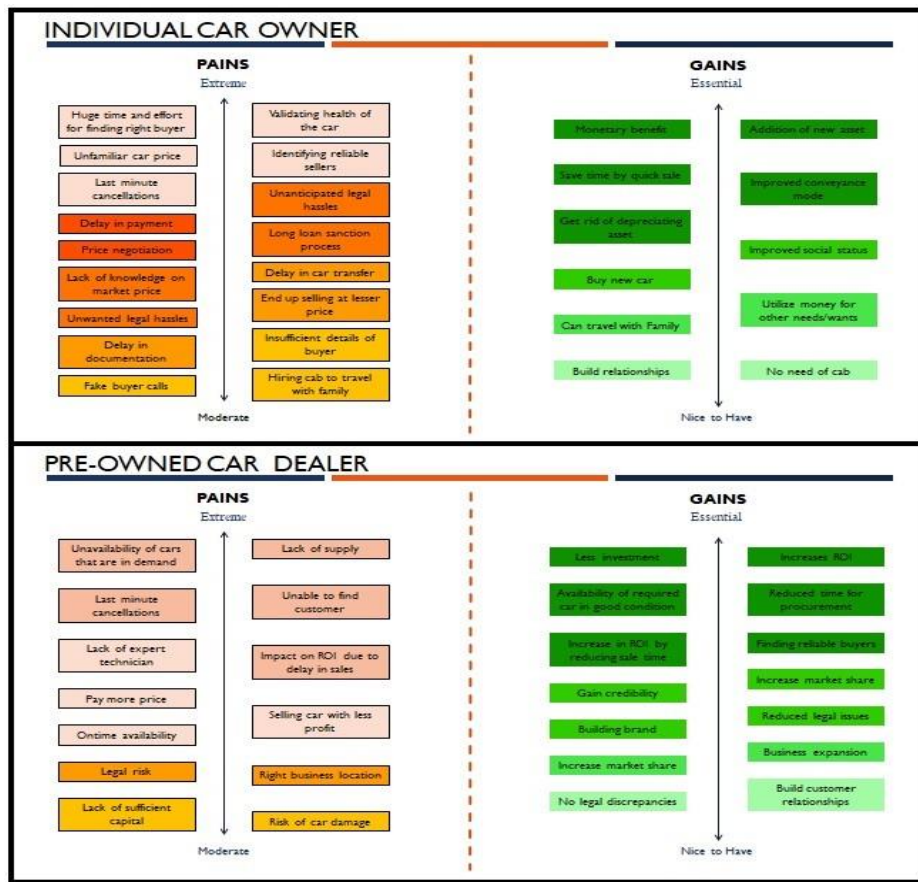


Fig. 4. Pains and gains of the owner of preowned cars and dealers. [Ref: 14]

Findings of the Study

The short company analysis of the preowned car industry found key significant findings, which are most important for the dealers and customers.

- Most preowned car buyers belong to an average middle-class family with good educational background.
- Self-employed customers are more likely to buy preowned cars for family and business purposes simultaneously.
- Maximum buyers prefer preowned cars to upgrade from two-wheeler to four-wheelers at affordable prices.
- The change in customer demand using changed automobile technology is an essential reason for the growth of the pre-owned car industry.
- The short period for the change in ownership from one party to another was also taken care of entirely by cars24.

- f. Exceptionally presents an online presence of Cars24 not only in metro cities but also in small towns.
- g. Perfect reliability with 135 checkpoints before buying any preowned cars makes cars24 trustworthy among buyers.

Conclusion

There are certain asymmetric advantages and disadvantages attached to preowned car industries. The present work describes the descriptive analysis of preowned car industries, specifically Cars24 Services, Pvt. Ltd. The studies present the perspectives of buyers, sellers, and dealers on the same platform. Purchasing preowned cars not only considers the quality but also based on the beliefs, preferences, vehicle history, and driving kilometers. Cars24 takes care of these points carefully before buying any cars from the owner and cross-checks all the history from authorized sources and centers. Cars24 works with five critical factors: customer preferences, customer beliefs, post-service expenses, affordability, and accidental history. By keeping all these points on priority, Cars24 increased its strength with 4000+ partners and spread its dealership among 140+ locations. Currently, many other preowned car dealers are following the Cars24 strategy, reducing the competitive advantages. But still, the preowned car industry should work more smoothly to gain customers' trust, reducing their purchase risk. The attitude of dealers plays an important role which should be improved with the customers even after buying the preowned cars. Some initiative has to be taken from the Government side for the smooth working of the pre-owned car market.

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