

## **Used Car Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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### **Report description:**

The used car market is expected to reach USD 460 billion, registering a CAGR of over 10% during the forecast period.

The outbreak of COVID-19 affected the automotive industry significantly. With supply chain disruption and transportation halt, new additions to the used car inventory were not coming into the market. As a result, fewer models were available for purchase, resulting in fewer purchases. However, during the later stages of 2021, the market started reverting to the pre-pandemic situation, increasing opportunities for the used car market with a major push from low and mid-income consumers.

Over the medium term, the used car market across the world is growing rapidly. The main reason for the same has been the advent of organized players in the market in developing nations, which has taken care of the trust deficit plaguing the used car market in those countries for ages.

Due to increasing digitization and the ability of companies to provide immersive purchase experiences remotely, the used car market is expected to witness significant growth. Furthermore, the rise in value-added service offerings and the variety of finance providers offering credit for used cars will also contribute to the growth of the used car market across the globe. However, higher interest rates may discourage some potential customers, slowing the market's growth.

Factors such as a rise in income levels, increasing demand for luxury cars, shorter car ownership periods, booming import-export, and a growing preference for two-wheeler owners to upgrade to small and compact cars drive the growth of the market.

However, a lack of financing or expensive financing options in many countries for used cars is expected to hinder the growth of the market. While finance for new cars is easy to obtain, used cars attract a higher rate of interest and are not sanctioned so easily. However, with gradual growth in the organized sector, the market situation is changing. Major players, like Toyota, BMW, Maruti Suzuki, etc., have ventured into the used car space in India.

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The market in emerging economies like India is dominated by unorganized players who do not own inventory but rather thrive on their platform for C2C sales. They make revenue through commissions earned by facilitating the sale of used cars on their online platforms. However, the organized and semi-organized sectors are steadily catching up and are expected to play a significant role toward the end of the forecast period. The Asia-Pacific region is expected to be the largest market, followed by North America and Europe.

## Used Car Market Trends

### Strengthening of Online Infrastructure Positively Affecting the Used Cars Market

As the smartphone and internet penetration in emerging economies, especially in Asia-Pacific, is increasing, the used car market is getting more organized because used car retailers use digitalization to make market offerings attractive. Facilities such as an enormous number of photos and videos on the online platform and an easy online instant finance service are drawing more customers into buying used cars.

With the growing trend in technology, used car vehicle purchase through online sales has become the most preferred choice for customers over the past few years. Moreover, it provides additional facilities to monitor all the required documents, performance, and service records of the vehicle. The consumer can compare a wide variety of options and apply their desired filter to find the most relevant used car that matches their criteria.

Many new used car companies are entering the market, and it will continue in the coming years. Companies compete with the existing players by providing customized services, a new fleet, and a low-pricing strategy. Companies will continue to focus on keeping themselves ahead based on value-added services provided to prospective clients, reducing service costs, and introducing premium and well-maintained vehicle models and features into their fleets to capture a significant share of the market.

In May 2022, Indonesia-based omnichannel used car company Moladin, which is operating through offline and online sales, raised series B funding worth USD 95 million. In addition, funding will boost the company's automotive ecosystem and further help the company grow its dealer, agents, and customer network.

In the North American market, where the used car sale to new car sale ratio is almost 2 to 1, many new players such as Fair and Vroom are leveraging artificial intelligence and Big Data analytics to differentiate their brand and offerings from conventionally used car dealers. Major OEMs are now investing in the used car segment to ramp up their revenues.

Tech-savvy customers in the age group of 25-40 years are demanding features such as end-to-end transactions, doorstep delivery, digital recommendations based on the driving behavior and lifestyle of the customer, and digital test drives. Players in the market are providing flawless and smooth access to car specifications, performance reports, and inventory information to customers to assist them in making informed decisions.

Mercedes-Benz uses blockchain technology to store and maintain the maintenance history record of the carbon footprint of used cars in Beijing. 35% of a car's carbon footprint comes from the manufacturer. Mercedes-Benz and PlatOn are planning to store the entire lifecycle data of a vehicle.

### Asia-Pacific is the Fastest Growing Market

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China is the world's largest automobile market owing to the sheer volume of vehicles present in the country. The country registered a total of 21.48 million units of passenger vehicles sold in 2021. The total number of passenger cars present numbered approximately 282 million units during the same period.

Owing to such a high number of vehicles, the product influx for the used car market is immense in China. With the rapid electrification of the country's automotive industry, owners of internal combustion engines have begun to sell their existing vehicles to make the switch to electric mobility. This significantly increased the number of vehicles available for purchase in the used car industry, driving the potential for growth during the forecast period.

India is another major market for the used car market owing to the long operational life of vehicles in the country. In India, a pre-owned car purchase is driven by affordability. The majority of customers are first-time car buyers. Thus, the preference for entry-level hatchbacks is high.

The second-hand car industry is poised to gain even more traction as the Jakarta government plans to broaden the odd-even traffic regulation that will take effect and limit vehicle age to a maximum of 10 years by 2025. After three to seven years of driving, many individuals sell their cars. Once the vehicle age restriction is in place, more individuals will sell their automobiles sooner.?

There is also a tendency for cars to move from the Jakarta capital region to minor cities in Java or even outside of Java as they age. While individuals in Jakarta prefer to buy new or lightly used cars, residents in other parts of the country may consider purchasing an older model if the price is right. Approximately 300,000 used automobiles in Indonesia change hands every month. Considering the growth prospects in the Southeast Asian country's used car market, several major players from other regions are planning to start their operations in Indonesia. For instance,?

India's used-vehicle marketplace CARS24 launched its ASEAN foothold in Thailand in November and plans to follow up by entering Indonesia in the future. Thus, the aforementioned factors are expected to revive the used car market in ASEAN from the current economic crisis due to the COVID-19 pandemic during the forecast period.?

#### Used Car Market Competitor Analysis

The used car market is dominated by several key players, namely True Value, Hertz Corporation, Pendragon PLC, and many others. The growing organized and semi-organized sector is expected to bring in more revenue for the leading organized players toward the latter half of the forecast period, thus, moving the market ever slightly toward a consolidated one. For instance,

In June 2022, TrueCar Inc. acquired Digital Motors. This acquisition is intended to accelerate TrueCar's plan to deliver a robust digital car buying and selling experience with its TrueCar+ marketplace.

In May 2022, GoTo-backed Bank Jago announced its partnership with the used car marketplace Carsome Indonesia for its automotive financing initiative.

In January 2022, Cazoo, one of Europe's leading online car retailers, acquired Italian online used car retailer and subscription platform Brum Brum for EUR 800 million (USD 828.80 million). Through this acquisition, Cazoo will launch its service across Italy. In November 2021, Carvago expanded its facility across Italy. The company offers 700 used cars to customers across the country.

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