

South Korea Used Car - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The South Korean used car market was valued at USD 24.1 billion in 2024 and it is expected to reach USD 30.5 billion by 2029, projecting a CAGR of 4.8% during the forecast period (2024 - 2029).

Key Highlights

- Consumers' growing preference towards availing private transportation medium owing to the increase in personal disposable income and GDP per capita, the emergence of online technologies, and increasing new vehicle prices serve as the major determinants for the growth of the used car market in South Korea. In 2022, the GDP per capita in South Korea stood at USD 34,997.8. Further, the monthly average income per household with one or more family members in South Korea stood at USD 3,660 during the April-June quarter of 2022, an increase of 12.7% during the same period in 2021.
- With the increasing financial stability, consumers prefer private transportation mediums to enhance their convenience for personal mobility. However, the spike in new vehicle prices deters some of these customers from purchasing brand-new vehicles, subsequently leading to the surging demand for used cars in South Korea.
- For instance, Hyundai Motor Corp and Kia Corp announced a strategy to increase the prices of all models launched in 2022 by an average of 5%, a more significant rate compared to their typical annual increase of 1-2%, primarily due to disruptions in the supply chain and semiconductor shortages.
- In the South Korean market, the sales of the lesser average-age used car models have witnessed an upward trend in 2022, rising from 12.9% in January to 15.5% in March, 17.9% in May, and 20.1% in August. Among these segments of used vehicles, the most popular model in terms of August 2022 purchase inquiries on the Encar platform was the Kia Carnival minivan, followed by the Hyundai Palisade SUV, Mercedes-Benz E-Class (W213), Kia Sorento SUV, Genesis G80 sedan (RG3), and Hyundai Grandeur IG sedan, among others.
- One of the major challenges faced by the used car market in South Korea is the presence of a large number of unorganized

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dealers offering lower prices than their counterparts, making the market highly fragmented and competitive. Further, the government in South Korea, for an extensive period, had banned big companies from selling secondhand vehicles, citing the need to protect smaller used car dealers.

-However, in recent years, the Ministry of SMEs and Startups implemented an initiative to allow these players to integrate into the market, with some conditions attached, such as limiting the market share. Coupled with that, declining used car prices serve as a major headwind for the South Korean Used Car Market.

-It is estimated that the average price of domestic used cars declined by 1.33% in January 2023 compared to December 2022. For instance, prices of secondhand cars dropped by 3.18 percent for Hyundai's Tucson (NX4) 1.6 Turbo 2WD Inspiration and 2.21 percent for Hyundai New Santa Fe 2.2 2WD Prestige during the same period.

-The government's aggressive strategy to promote the electrification of vehicle fleets and ban of petrol/diesel cars to promote the reduction in carbon emissions will aid the demand for used cars across South Korea during the forecast period. Consumers who are willing to purchase cheaper alternatives to new-energy vehicles are increasingly adopting the purchase of used vehicles for convenience in mobility. For instance, in March 2022, the South Korean government reaffirmed its plan to phase out sales of new internal combustion engine (ICE) vehicles by 2035. Further, in September 2022, the government announced the phasing out of Grade 4 diesel vehicles, the second-lowest in the country's five-tier emissions standard, from Seoul's central areas starting in 2025.

South Korea Used Car Market Trends

Rising Adoption of Digital Technologies Will Foster the Growth of the Target Market

- The adoption of advanced technology by tech-savvy young individuals, the emergence of e-commerce marketplaces, and various companies' aggressive strategies to spend on online advertisements are boosting the demand for used cars sold through online platforms. These platforms assist consumers in making informed decisions as end-end information on vehicles is already listed, such as vehicle make, model, kilometers driven, engine capacity, condition, etc.

- Moreover, increasing Internet penetration rates and rapid urbanization across South Korea contribute to developing an efficient ecosystem wherein vehicle owners can reach out to buyers from different parts of a region and initiate a smooth online sales process without any need to visit a physical location.

- The Internet penetration rate in South Korea stood at 93.0% in 2022, a substantial surge from 2017, when the internet penetration rate stood at 90.3%. South Korea boasts one of the highest urbanization rates among emerging economies, with 81.43% of its overall population residing in urban areas as of 2022. These consumers are highly tech-savvy, and most of them have the financial capability to make an informed decision to purchase a vehicle for their mobility. Owing to these factors, the online used car market in South Korea is expected to showcase positive growth in the coming years.

- To integrate the growing online used car market, various players across South Korea are actively engaging in integrating the online space to diversify their business and offer enhanced online experiences to consumers. For instance, in June 2023, Hyundai Motor Co, a South Korean-based auto manufacturer, announced its entry into the used car market in the country by extending used car purchasing and selling services to customers via an online platform. The automaker indicated that its initial business will kickstart from October 2023.

- Further, improved offerings such as an enormous number of photos and videos of the used vehicles being sold through online platforms and easy online instant finance, insurance, and warranty service are expected to fuel the demand for used cars in South Korea in the coming years.

Electric Segment of the Used Car Market is Gaining Traction in Recent Years

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- South Korean government's strategic plan of banning internal combustion engine sales by 2035 and consumers' growing preference for purchasing eco-friendly vehicles to combat environmental impacts is aiding the growth of the electric used car market segment. The purchase of new electric cars is a costly affair owing to the huge cost of its batteries, which consumers tend to avoid. Due to this, the demand for used electric car models has been gaining traction in recent years.
- Coupled with that, the sharp decline in prices of used electric secondhand cars in the South Korean market is positively contributing to the increased demand in this segment. Although declining used electric car prices pose a significant challenge to the overall used car industry, as revenue generation for companies becomes tougher, on the other hand, this phenomenon proves to be beneficial to consumers as they get the opportunity to purchase advanced electric vehicles at a lesser cost in the used car market. For instance,
 - Secondhand EV prices witnessed a decline of 21% on average to 36.4 million won (USD 27,930) in South Korea during January and June 2023, compared to the previous year.
 - Tesla Model X led the price downfall with a 28.2% decline during January and June 2023, compared to the same period in 2022. It marked the sharpest price drop among second-hand cars sold as of June 2023. Audi e-tron saw its secondhand model price tumbling 20.5%, while the price of Hyundai's IONIQ 5 dived 20.2% in the South Korean used car market.
 - According to the South Korean Ministry of Environment, CO2 emissions from passenger vehicles in South Korea stood at 97 grams per kilometer in 2021, which is expected to reduce in the coming years with the adoption of electric vehicles. However, purchasing a new electric passenger car is an expensive affair. Therefore, consumers' preference to purchase used electric vehicles (EVs) in the coming years would contribute to combating CO2 emissions from passenger vehicles, which are expected to stand at only 70 grams per kilometer in 2030.
 - Further, various companies offering value-added services such as vehicle financing and insurance options are helping consumers purchase high-end vehicles with ease. Coupled with that, the rise in the demand for vehicle subscription services in the last few years, which allows consumers to use a vehicle every month by paying monthly fees, which include maintenance, insurance, and roadside assistance, is positively impacting the demand for used electric vehicles. For instance, in June 2022, KB Chachacha, operated by KB Capital Co., a unit of KB Financial Group, attracted dealers to promote the use of its financial services to sell secondhand vehicles. The company also reported an increase of 83.3% in their operating profit with the incorporation of used-car financing options in their portfolio, compared to when the company did not have this business.

South Korea Used Car Industry Overview

The South Korean automotive market is characterized by a high degree of fragmentation and intense competition. It features a multitude of domestic dealers, both organized and unorganized, spread throughout the country. Among the prominent players in this landscape are Autowini Inc., Robert's Used Car, KB Cha Cha Cha, K Car, Encar, Used Car Korea, Sena Trading, Car Vision, Be Forward, PicknBuy24, and Han Sung Motor, among others. These market participants engage in fierce competition, vying for supremacy in various aspects such as pricing of used cars, online visibility, value-added services like warranties and financing options, commission structures, the extent of listings on their platforms, and accessibility to comprehensive vehicle performance information, among other factors.

Many companies within this ecosystem are proactively venturing into the online used car sector, aiming to strengthen their brand presence and expand their operations across South Korea. On the flip side, certain car rental companies in the country, foreseeing the challenges posed by the used car industry, are reevaluating their integration strategies. For example:

In June 2023, Lotte Rental Co., a prominent car rental company in South Korea, decided to abandon its plans to enter the domestic used car sales market. Instead, the company unveiled its intention to concentrate on reinforcing its used car rental and commercial vehicle leasing divisions.

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In May 2022, Hyundai Glovis, a subsidiary of the Hyundai Motor Group based in South Korea, made headlines by acquiring a complete stake in the United States vehicle auction dealer Greater Erie Auto Auction (GEAA). This strategic move was aimed at expediting its entry into the global used car market and achieving a revenue target of 300 billion won (approximately USD 211.1 million) in the US market.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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