

Research on Buying and Selling pattern of Pre - Owned Cars in India

*Submitted in the partial fulfilment of the
requirements for the award of the
degree in*

MASTER OF BUSINESS ADMINISTRATION

By

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CERTIFICATE

This is to certify that **Amit Chhabra**, Roll No.: **2K19/EMBA/505** student of Masters of Business Administration (Executive 2019 – 2021) at Delhi Technological University, Delhi has accomplished the project titled '**Research on Buying and Selling pattern of Pre - Owned Car in India**' under my guidance and to the best of my knowledge completed the project successfully, for the partial fulfilment of the course in 2nd semester of the course Executive MBA.

Declaration

I hereby declare that the project '**Research on Buying and Selling pattern of Pre - Owned Car in India**' submitted to Delhi School of Management, Delhi

Technological University, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration (Executive) is a record of original work done by me, under the guidance and supervision of my mentor Dr. Deep Shree, Delhi School of Management .

Acknowledgement

I express my sincere gratitude to all those who have directly or indirectly helped me in completing this project.

I express my profound gratitude to my mentor Dr. Deep Shree, Delhi School of Management, Delhi Technological University for her consistent support & guidance. I express my sincere thanks to all the staff of DSM, especially the ones who have taught us and have helped us enhance our knowledge.

Last but not the least, I would like to pay my gratitude to my beloved and respectable parents, and family members for their blessings and constant support in the completion of the project work.

Place: New Delhi

Date: 29.05.2021

Amit Chhabra

Signature of the Candidate

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Abstract

Consumer behavior study is quite a challenging task. If a company wants to survive, it should be able to compete well by understanding the consumer mindset. Used Car Market is a key growth indicator in develop countries while it is a emerging automobile segment in the developing markets like India. Generally, this market is observed w.r.t new car. A ratio between Used Car sales & New Car sales provides the market size & opportunity for growth.

Indian economy has witnessed consistent GDP growth in last 2 decades which increased the new car sale and total car park. Frequent launching on new models by all the OEMs and entry of new OEMs in India has increased the used car sales and right now used car sales is 1.3 times of new car sales.

Although market is 1.3 times of new car but still there is a huge gap between demand & supply of used cars. A famous theory given by an American economist Mr. George Akerlof is used to describe the problem of Demand & Supply gap issue in Indian used car market. This theory stated that the quality of goods traded in a market can degrade in the presence of information asymmetry between buyers and sellers, In last market left with bad quality products and then no buyer to purchase these lemons.

Each market is shifting from only Brick & Mortar platform to digital platform, presence of many online websites like Cars24, Cardekho etc. are creating a big challenge for offline players in India as well. Market is divided among organized, semi-organized, unorganized and customer to customer sale. Earlier unorganized players very dominating in the market now organized players has increased their foothold.

The main purpose of this research is to understand consumers of used car market. Focus area was to understand the impact of factors linked with Brand, Price, Quality & Aesthetic on consumers' decision making while buying a used car. Also, it has been explained why there is gap between demand & supply in used car market and what's the role of opinion leader in used car market.

The project was started with literature review and gap identification. It was found that Brand, Price & Quality are representing very limited interest of the customer. On the other hand, there are no of factors which are linked to these categories. Further, most of the decision-making sub-factors related to these 4 main categories were identified. Secondary data with results was extracted from other report & researches. To collect primary data a questionnaire was designed, floated and it was filled by participants. 28 responses were received from participants which was analyzed. The findings show that there is a positive relationship between Brand, Price & Quality of used car on consumer buying behavior while the Aesthetic criteria doesn't impact the behavior. There were 4 hypotheses out of which 3 stands rejected and 1 stands not rejected. Brand is combination of brand of the product and outlet brand both. Price factor involves price of the car, insurance cost, maintenance cost, fuel cost and finance options. Quality is dependent upon mileage, car condition, no of owners, age etc. While aesthetic looks like color are not impacting the decision.

Consumers are trying to shop at online as well as offline stores, but they are happy to sell

the cars online but wants to buy only offline. It is evident from the study that both the platform will co-exist. Online platforms are very good in lead generation while offline stores give confidence to the actual buyer as well as seller.

Role of opinion leader is very much recognized in every decision making of a customer. There is a rise in demand of field expert in used car space who can guide the buyers and fill the void of limited knowledge, but maximum people are still relying upon their known's feedback.

Introduction to the Auto Industry

History: Numerous Innovations in technologies reshape the modern automobile industry. Initially, the U.S. was the driving force in this industry which and the U.S. economy weathered many positive and negative over the years. But a recent surge in demand for cars in the China has changed the share of Automobiles landscape. But, few incidents such as Car industry slowdown, OEMs globalization and bankruptcy were some challenges faced by the auto industry in the 20th and 21st centuries.

Before 1900: The establishment of Auto Industry: Series of developments & hard work of many other stakeholders make this automobile concept practical. The German inventor Karl Benz formed 1st modern automobile. The 3-wheeler 'Motorwagen,' in 1886, was the first production in automobile later Benz incorporated various positive changes in this vehicle like Four-wheels, oil tank and brakes on the backside.

1900-10: Cars for the average families: During the initial few years of the 20th century, automobiles had a limited audience and the biggest reason for this limited market was high price & long production time. It made this product out of range/budget for the general public. However, between 1904 and 1908, a total of 241 firms started producing cars and targeted the US consumer. In 1908, Ford created a new product: Model T, this was the 1st car that was offered and marketed to the average family. Incremental sales gave birth to the biggest industry for cars and car products.

1911-20: Assembly Line reduced car prices: The Model T, success came from the concept of the assembly line and its mass production made this product affordable. Henry Ford invented the assembly line in 1913.

1921-30: The surge in car Demand: This was the era of huge growth for this rising industry, as more and more consumers bought their first cars. Subsequently, many other small car companies & the Chrysler Corporation started producing cars in this decade. By stock market crash in 1929, bring the Great Depression, earlier car companies were able to manufacture & sale 5M cars a year, according to the University of Michigan.

1931-40: Sluggish sale during the Great Depression: The Great Depression gave a dent to the automobile industry, half of the companies failed during the 1930s. At the start of this Great Depression, consolidation in the auto industry started where small & specialized car companies merged into the biggest players and gave birth to larger, stronger corporations. There was less specialization, but the 'Big Three' emerged as an important force and it was also a crucial time for organized labor. Lay off of workers and experienced labor was in demand. United Auto Workers Union (UAW) came into existence in 1935.

1941-50: Auto Industry during World War II: World War II helped the US economy emerge from the Great Depression. The government closed down all the big automobile factories in 1942 and put their existing stock for armed service usage. Consumers could buy only when they could demonstrate a significant need. Armed forces oriented production leads to great technological improvements.

1951-60: Freeways & cars for Americans: With the end of World War II, the freeway network, begun in the 1920s, grew exponentially during the 1950s. Cars became an attachable part of the American people's life.

1961-70: Safety the new concern: Keeping in view the need of modern customers, manufacturers focused on making safer vehicles. Studebaker-Packard became the 1st company to introduce seat belts and it was standard feature for all of its vehicles. Powerful engines and spacious cars were the next expectation of the consumers.

1971-80: Oil Crisis generated demand of Improved Fuel Economy: During the 1970s, the biggest oil crisis forced manufacturers to create fuel-efficient. But, it didn't last long and OEMs returned to producing fast & powerful cars.

1981-90: Globalization of car production: Rising car demand in India & China, where already low-cost manpower & material was available made easier for the companies to shift their plants in these countries. Now, OEMs could export less expensive vehicles to developed countries across the world.

1991-00s: Questions on resources & environment concern: SUV (Sport Utility Vehicles) was gaining popularity. Stable gas prices least concerned with environmental concerns later on, realized the importance of climate & pollution. This in turn led to technological advancements like increase in car production running on electric batteries. In the late 1990s, the first hybrid cars were manufactured with both a small gas engine and an electric motor.

After 2000: Smaller & efficient vehicles: By 2005, 80 percent of global production came from 11 countries, representing a widening of the playing field and a significant growth in global competition. During the first few years of the new millennium, car companies catered to consumers who expected powerful vehicles where (SUV) was king. During a major slowdown of 2008 banks tighten financing requirements and now fewer people could afford to buy a costly vehicle. At the same time, fuel became more expensive. Fuel prices were touching the sky due to which many of the owners sold their bigger cars and bought the smaller one which were economic and having low fuel cost. Gas & Hybrid engines were dominating the sector now and when slowdown get over fuel efficiency and economic thinking still remained there.

Recent Automobile Industry: The new concept of sharing, leasing, used car sales are changing the market scenario. Millennials are least bothered about car/house ownership. Pay per usage providing them more money in hand to spend and enjoy the time by traveling & new gadgets. Electric & hybrid car concept forced all automobile makers to change their strategy & diversified their business to cater the new demands of the market. Tesla gained a huge success in electric cars where Uber, Lyft & Ola like platforms are gaining popularity in sharing. The Autonomous vehicle is the next big turnaround expected in coming days.

Indian Auto Industry

The Indian auto industry is the fourth largest in the world where sales is growing 9.5% year after year and the total volume was 4M (w/o two-wheelers) in 2017. Sale of passenger vehicles increased by 2.7%, 2-wheeler by 4.8% & 3 wheeler buy 10.27% in FY18-19. Exports growth was 14.5% and CV registered a growth of 14.5%. It has been estimated that by 2026 India will be the 3rd largest automotive market. India is the world's biggest tractor manufacturer and 2nd largest in Bus production. In the commercial segment, India was the Seventh largest producer in 2018. In heavy truck production, India stood at 3rd position.

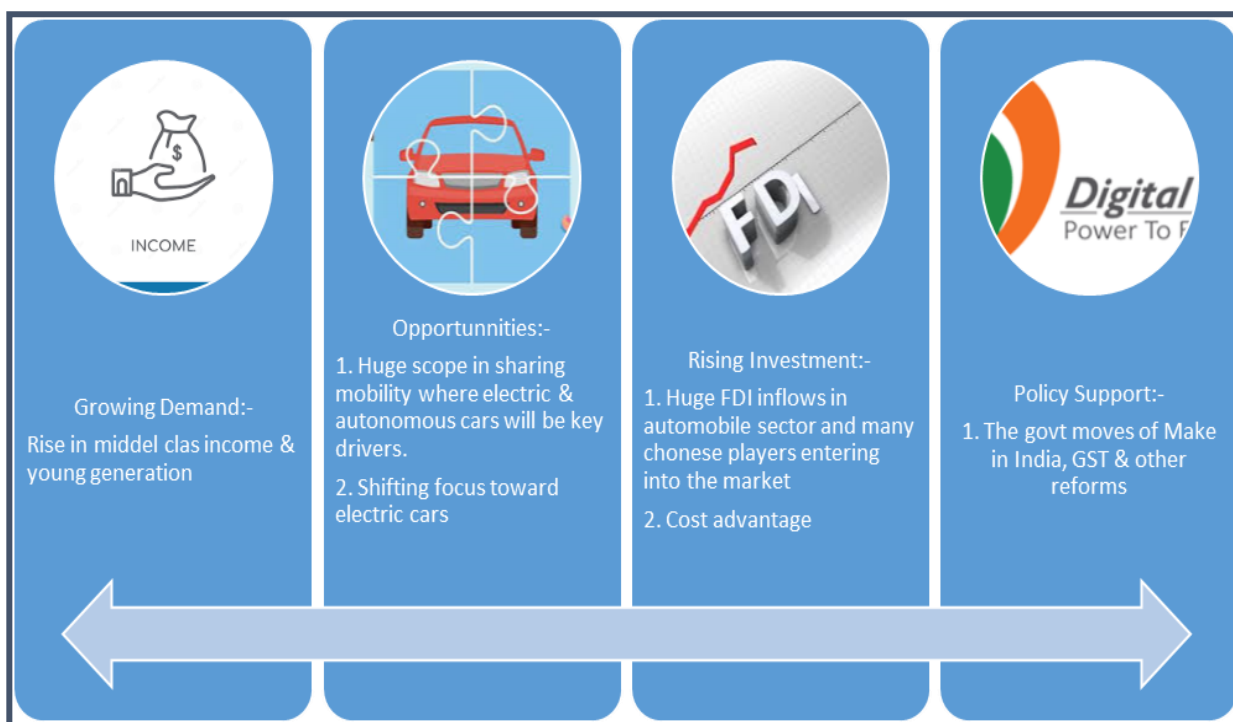


Figure 2.1: Success Factors of the Indian Automobile Industry

Category	2014-15	2015-16	2016-17	2017-18	2018-19
Commercial Vehicles	6,14,948	6,85,704	7,14,082	8,56,916	10,07,319
Passenger Vehicles	26,01,236	27,89,208	30,47,582	32,88,581	33,77,436
Two Wheelers	1,59,75,561	1,64,55,851	1,75,89,738	2,02,00,117	2,11,81,390
Three Wheelers	5,32,626	5,38,208	5,11,879	6,35,698	7,01,011

In terms of volume, Two wheeler segments are dominating in India as there is a steep increase in income of the middle class and the young population. India is currently the world's largest producer of two- and three-wheeled vehicles. In developed countries, there has been an increase in demand for two-wheelers, followed by a period of deflation. Furthermore, companies are concentrating on the rural market to capitalise on their existing resources, and it has provided them with a new avenue for growth. India is quickly establishing itself as a major auto exporter.

Market Size: Total domestic car sales increased at a 6.71 percent compound annual growth rate (CAGR) from 2013 to 2019, with 26 million vehicles sold in FY19. Domestic car manufacturing grew at a 7% compound annual growth rate (CAGR) from 2013 to 2019, with a total amount of 30.92 million vehicles produced in FY19.

In FY19, the largest annual growth in domestic sales across all segments was 17.5 percent in CVs, followed by a 10.3 percent increase in 3-wheeler sales. In 2018, India's premium bike

sales surpassed one million units. Companies in the luxury car category have also had a lot of success in this top segment. According to J D Power 2018, Mercedes Benz took first place in SSI in the luxury category.

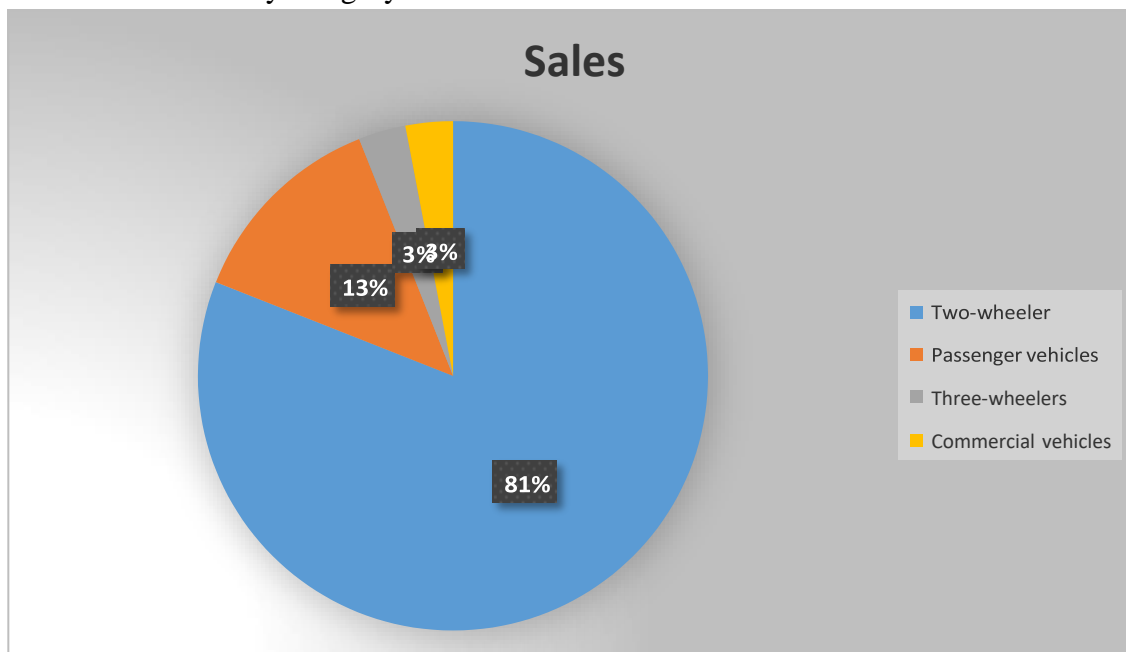


Figure 2.2: Sales figures Sub-Sector wise

Investments: With a plan to pace up the production & supply with increasing demand, all automakers are investing across various segments of the industry. The industry has gained FDI of US\$ 21.38B in between April 2000 to March 2019. This information is provided by Department for Promotion of Industry and Internal Trade (DPIIT)).

India's rapidly growing 5 auto hubs have a significant potential to be used as a base for export to South East Asia and the Middle East & North African regions.

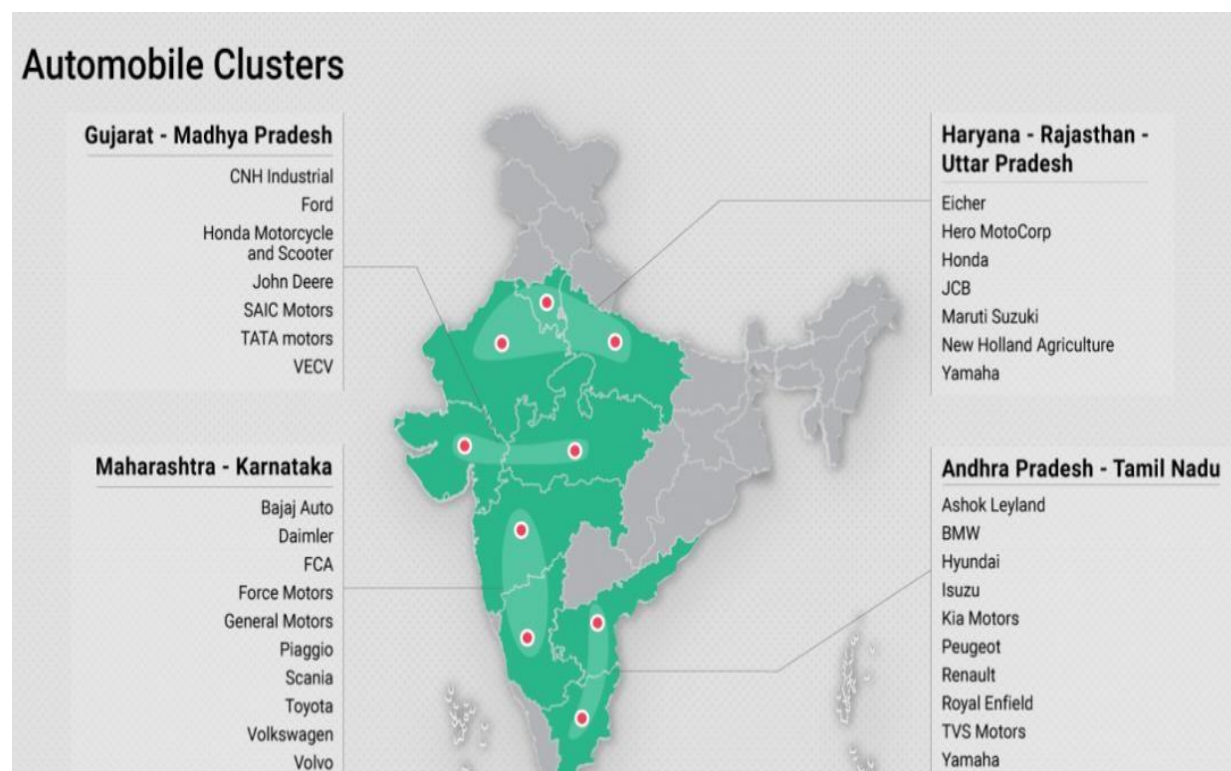


Figure 2.3: Indian Auto Clusters

Below we have highlighted the latest investments made in auto sector

- Ashok Leyland is planning for an investment of Rs 10 billion (US\$ 155.20 million) where more than 20 new models in commercial segment will be launched.
- Hyundai's US\$ 1 billion investment in India by FY20 and US \$ 310M by SAIC Motor.
- Luxury car brand Mercedes Benz also increased its production capacity.
- Honda & Mahindra are planning for huge investment in EVs & sharing mobility.
- MG Motors & Kia Motors has started manufacturing & sale of its first model in the India.
- Tesla, Citroen, Great Wall Motors are planning to move into the market in next few years.

Government Initiatives: The Indian Government has always encouraged foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route. I have below mentioned few of the recent initiatives taken Indian Govt.:

1. The government plan to make the country a manufacturing hub and R&D centre.
2. With NATRIp, an R&D centre of total cost around US\$ 388M will be setup.
3. Ministry of Heavy Industries has selected eleven cities across India for launching of electric vehicles which will be used for Public Transport. It will come under the FAME scheme of Hybrid and EVs.
4. FAME II has been introduces in February 2019, where total funding will be Rs 100 Billion. GST slab for EVs & parts is 5%.

Road Ahead: Availability of steel at a cheaper price, skilled and low cost labor, and robust R&D centers will be the key factors for success of the automobile companies. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labor. The whole Indian automotive industry is expected to touch Rs 16-18Trillion by 2026. Two-wheelers are expected to grow 9 percent in 2018.

Process involved in Consumer Purchasing & Disposal Plan

The consumer's purchasing decision is a common process that involves a number of steps and is affected by advertisers much of the time. The following diagram depicts the phases present in Consumer's Purchasing Process:

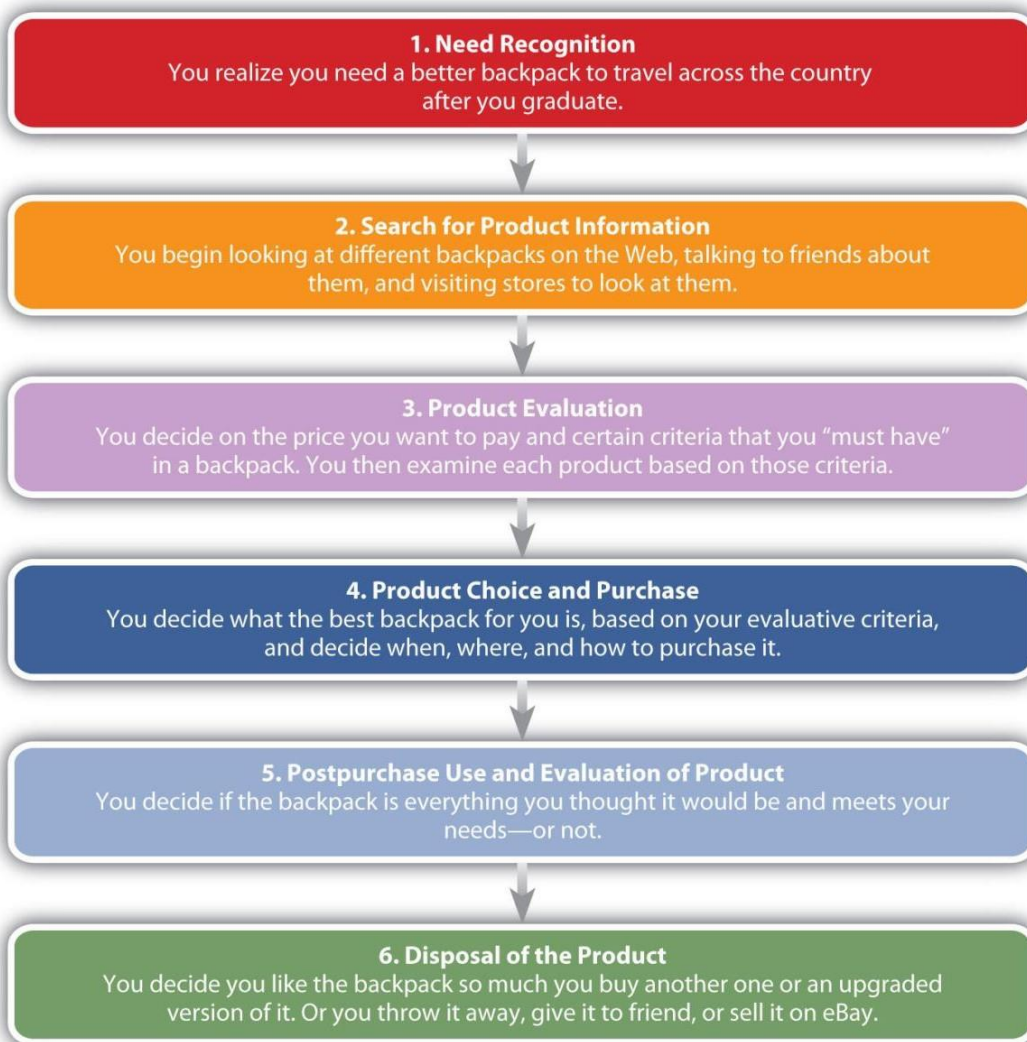


Figure 3.1: Process of Buying & Disposal

Step 1. Need Recognition

Marketers stimulate consumers for recognizing/feel that they have need of a specific product. Like credit card with lounge access to often traveler, amazon suggest combination while purchasing as product online like mobile cover with mobile phone.

Step 2. Information Search

Now, you may have a credit card already but you will try to search for similar products of other brands or the banks where you are dealing, in this way you limit the brand search that may go to the same brand where you are having an account or using a credit card.

Step 3. Product Evaluation

There are various types of credit cards offered by different kind of banks. But it is difficult to evaluate all of them hence you limit the evaluation criteria.

Step 4. Product Choice & Purchase

Finally, the buyer will choose which product to buy. It's conceivable that one card was

superior, but the salesperson's approach was unsatisfactory.

Step 5. Post-purchase Usage and then Evaluation

Post-purchase dissonance/remorse buyer's arises when you purchase a product and discover it is not what you expected.

Step 6. Product Disposal

Earlier manufacturers & customer both didn't use to think about the disposal plan at the time of buying. But now it's a very important concern of customer & society that how they are going to dispose off the product. It can be a gift to someone after usage, recycling, 100% waste, resale, etc.

Most of the time consumers do not consider all the steps while making a buying decision and may go directly to the next step. Like Salt, Coke, Fuel, etc you take the instant decision and never do information gathering & evaluation etc. This is called low involvement buying decision. On the contrary, you follow all the steps while buying big ticket items Car, Fridge, AC etc where you follow most of the steps and decision is called high involvement buying decision.

Buying Behaviour affected by personal preferences/choices

Personality

The following are the top five personality characteristics that psychologists share in common:

1. Transparency: Willingness to try new things.
2. Self-awareness: Discipline level
3. Extrovertism: Shy or extroverted.
4. The ability to reach an agreement. How easy is it to get along?
5. Neuroticism is the fifth personality trait. How vulnerable you are to negative emotions

Self-Concept

Do you see yourself as a positive or negative person? How do you want to be perceived? Smart, popular, or more "goth."

Gender

Men and women have different preferences when it comes to purchasing goods. Since their physiological requirements vary.

Age and Life's stage

You've probably found that your shopping habits have changed as you've gotten older. A infant, a teen, and an elderly person all have different preferences and requirements.

Lifestyle

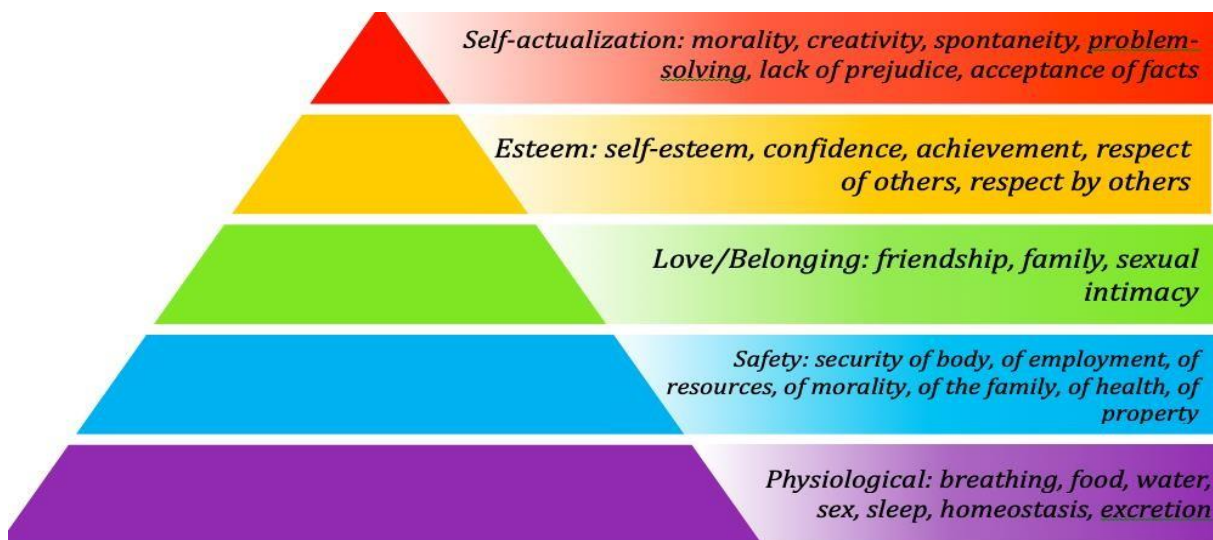
To better understand consumers and connect with them, companies have begun looking more

closely at consumers' lifestyles. A well-designed questionnaire and right feedback of the customers or their inputs through in-depth interviews can tell about their lifestyle. Where does he when not at workplace? Who does he like to chat to? What does he like to talk?

Psychological Factors Affecting User's Buying pattern/behavior

Motivation

Figure 3.2 Maslow's Hierarchy of Needs:



A Maslow theorized that people have to fulfill their basic needs—like the need for food, water, and sleep—before they can begin fulfilling higher-level needs

Post the economic crisis which happened in the year 2008, the sales of new automobiles dropped exponentially everywhere in the world with the exception on the sales of Hyundai vehicles. That time, Hyundai ran an ad campaign which assured its customers that they can return the bought vehicles if they couldn't make the payments without hampering & damaging their credit. Seeing this, the other carmakers started to offer similar programs after they saw Hyundai's success.

Banks also started offering “worry-free” mortgages to ease the minds of would-be homebuyers.

Perception of User

Perception is the process of interpreting everything around you and how the brain interprets it. The combination of all five senses—sight, sound, touch, smell, and taste—makes the difference.

User's Attitude

People's "mental roles" or emotional feelings toward goods, brands, institutes, and services are referred to as "attitudes."

Societal Factors Affecting User's Buying pattern/behaviour

User's Culture

A society's common values, traditions, practises, and attitudes are referred to as culture. This has an effect on the things you buy.

User's Subculture(s)

If a small group of people inside a society has different interests, religions, racial origins, and so on. It developed a subculture, similar to how the United States has Hispanics, Asian Americans, and blacks, among others.

User's Social Class

It's a socioeconomic classification scheme.

Class	Type of Car	Definition of Class
Upper-Upper Class	Rolls-Royce	People with inherited wealth and aristocratic names (the Kennedys, Rothschilds, Windsors, etc.)
Lower-Upper Class	Mercedes	Professionals such as CEOs, doctors, and lawyers
Upper-Middle Class	Lexus	College graduates and managers
Middle Class	Toyota	Both white-collar and blue-collar workers
Working Class	Pontiac	Blue-collar workers
Lower but Not the Lowest	Used Vehicle	People who are working but not on welfare
Lowest Class	No vehicle	People on welfare

Reference Groups and Opinion Leaders

Of course, you probably know people who aren't wealthy but who still drive a Mercedes or other upscale vehicle. That's because consumers have reference groups. Reference groups are groups a consumer identifies with and wants to join. If you have ever dreamed of being a professional player of basketball or another sport, you have a reference group. Marketing professionals are aware of this. That's why, for example, Nike hires celebrities such as Michael Jordan to pitch the company's products.

Opinion leaders are people with expertise in certain areas. Consumers respect these people and often ask their opinions before they buy goods and services. An information technology specialist with a great deal of knowledge about computer brands is an example. These people's purchases often lie at the forefront of leading trends.

User/Consumer's Family

Market researchers believe that buyer's family is one of the major determiners of buying

behavior. A person is more like his parents, when it comes to his consumption patterns. The fact is that many of the things a person buys and doesn't buy are a result of what his parents do and do not buy. Considering the example of the soap a person grew up using, toothpaste his parents bought and used, and even the "brand" of politics he lean toward (Democratic or Republican) are examples of the products he is likely to favor as an adult.

Introduction to Used car Industry globally

Used cars, also famous with similar words like secondhand car/ POC/ Pre-owned cars, these cars are being sold through online and as well as offline platforms (traditional second hand car stores). Technavio's market research analysts have estimated that the POC market will have 7% growth in 2018-2022. Biggest demand will come from car subscription services and the upcoming concept of vending machine points for dispensing used cars.

Nonstop launches of new car models because of highly competitive market, rising the competition. This is the key factor impacting the growth of the global used car market through 2018-2022. Factors like augmented purchasing power, new advancements in technology and easily available finance options have motivated customers to new car models and old vehicles coming in exchange of that new car giving more better options to the used car buyers, thereby used car sector seeing rapid growth. OEMs are targeting specific demographics and demand is evolving demand from these segments like millennials wants fuel-efficient SUVs & crossovers. These dynamic factors has promote the sale of old car while buying a new car with upgraded version. These rising figures of new models of cars is paving the way for better & good condition car's availability and sale as well.

The next biggest change which is going to happen is through digital channel while organized players are already started dominating this segment with halo effect. The developing countries are suffering from lack of trust and the organized players are trying to improve the market.

Additionally, rise in incomes, luxury car demand, shorter car ownership cycle, booming export- import and a two-wheeler owner is also trying to upgrade it life style by purchasing the used cars, hence it is driving the growth of the market.

Limited financing/loan options, in frontier and emerging markets hinder the growth of the market. On the contrary, new car sale is on boom due to better financing options with low interest rate. The organized player are getting the higher market share year-on-year. Some OEMs such as Toyota, MSIL, VW etc. have ventured into the used car space and using their relation to provide better loan options to the used car buyers.

Unorganized players in developing nation and brick & mortars stores in develop countries are dominating the used car industry. Small player doesn't carry inventory they use the park & sale method where customers park their car for sale. Commission is their way to earn money & generate revenue. But, new technology, investments in the startups have opened the door of growth for organized and semi-organized players. The Asia-Pacific region is expected to be the largest market followed by North America and Europe.

Variations in the price of old cars and the wider adoption of new platforms has made the used car market more complex and volatile in 2019, this has been reported by Cap HPI.

US Used Car Market

Used cars in the US market always remained dominating because of the early rise of new cars & the high disposable income of the consumers. America is not only playing on home turf but exporting a huge quantity of vehicles to other countries as well. Buying conditions in the economy always remain robust. Used car sales stood at 39m in 2017, a growth of 1.8% over

In the previous year, the new car demand decreased by 2%. Used car retailing has benefited immensely from the digital transition. This modern digital retailing not only broadens the consumer base, but also makes them more aware of their options.

The used car market in the United States is more than twice the size of the new car market, and it is growing at a much faster rate. McKinsey & Company

Figure 4.1: New Car Vs Used Car sale in the US

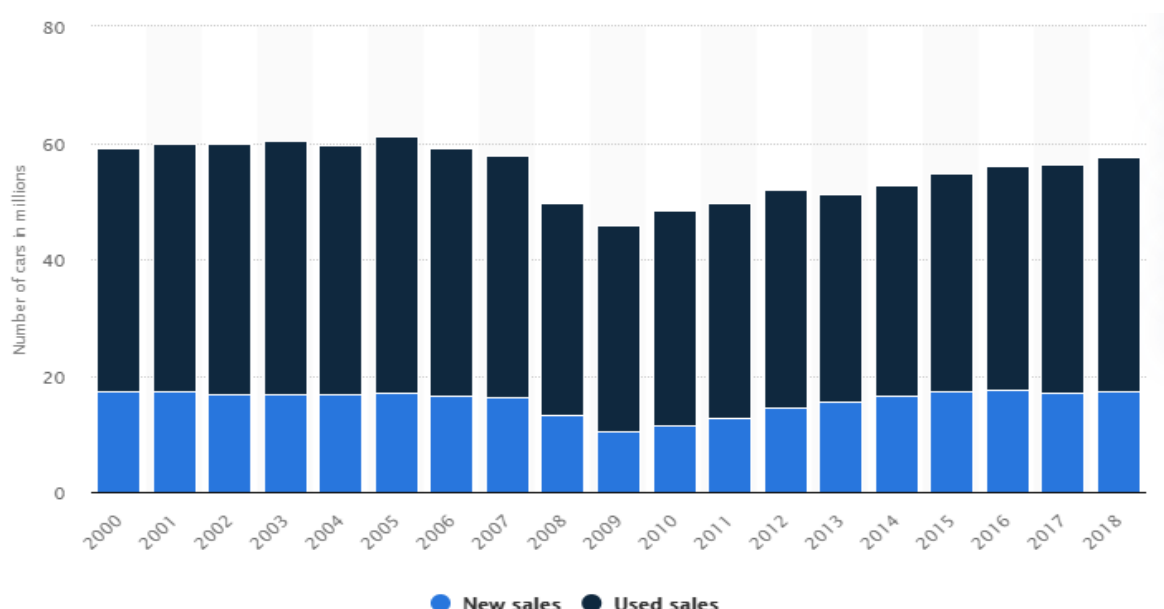
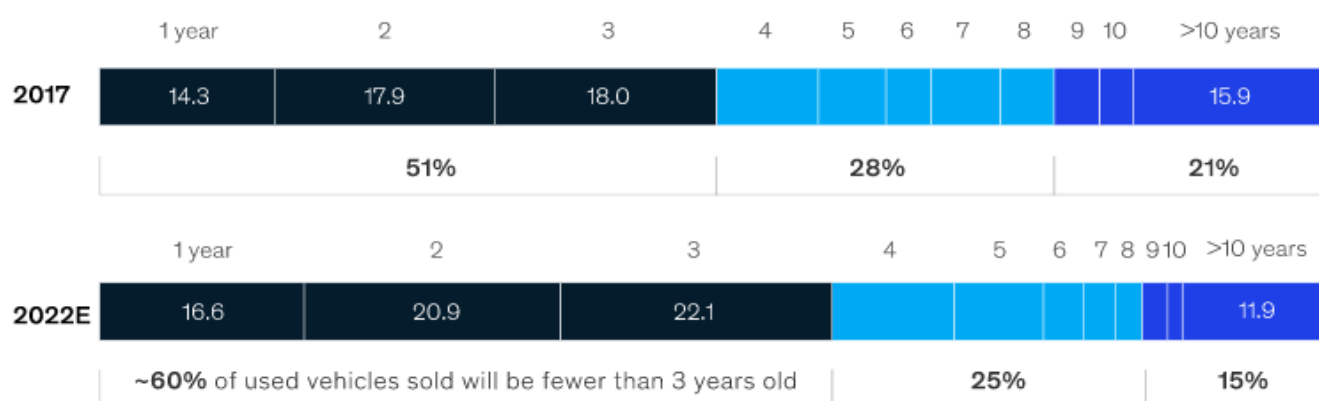


Figure 4.2: Vehicle's age wise transaction

Used vehicles are becoming increasingly younger in a shift largely driven by greater off-lease supply and newer certified preowned vehicles.

US used-vehicle market share by vehicle age, %



Note: Figures may not sum to listed totals, because of rounding.
Source: Edmunds.com; Frost & Sullivan; McKinsey analysis

UK Used Car Market

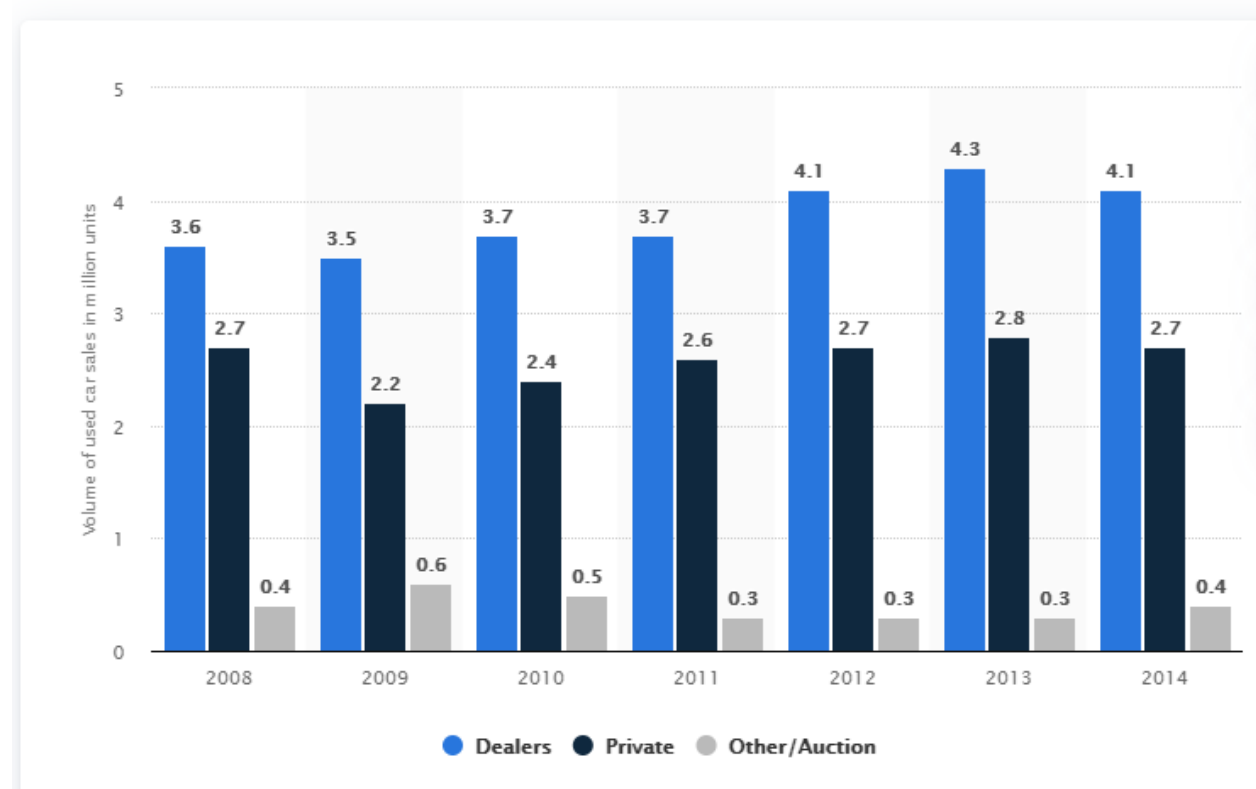
The automotive industry in the United Kingdom is going through a difficult period, with various problems such as the WLTP effect, BREXIT, and news about diesel, among others,

causing sales figures to fluctuate and supply levels to be unpredictable.

Nevertheless, improving loan options has provided hope for growth in the used car segment. As per SMMT, a total of 7.9 million used cars were sold in 2018 and there was a decline experienced in the sector which was 2.1% in total volumes.

Finance penetration is 90% in new car market and 50% in used car market. Figure 4.3: New Car Vs Used Car sale in UK

(in million units sold)



The slow movement in New Car sales has provided an opportunity for growth to used car players. Diesel is not doing well in new car but having good demand in the used car market.

BREXIT would be having minimal impact on used car market and in the first six months, but stock days are rising. It didn't impact the used car market. On the contrary, OEMs with operation in the UK used to take highest benefit of free transfer of material to source parts, finished components and assembled cars across the EU.

Untimely increment in the stock volumes are an indication of how market is unstable and suggests that UK's vote to leave has had a material impact on used car demand. An emerging oversupply situation also leads to discounting to accelerate stock turnover, hurting residual values.

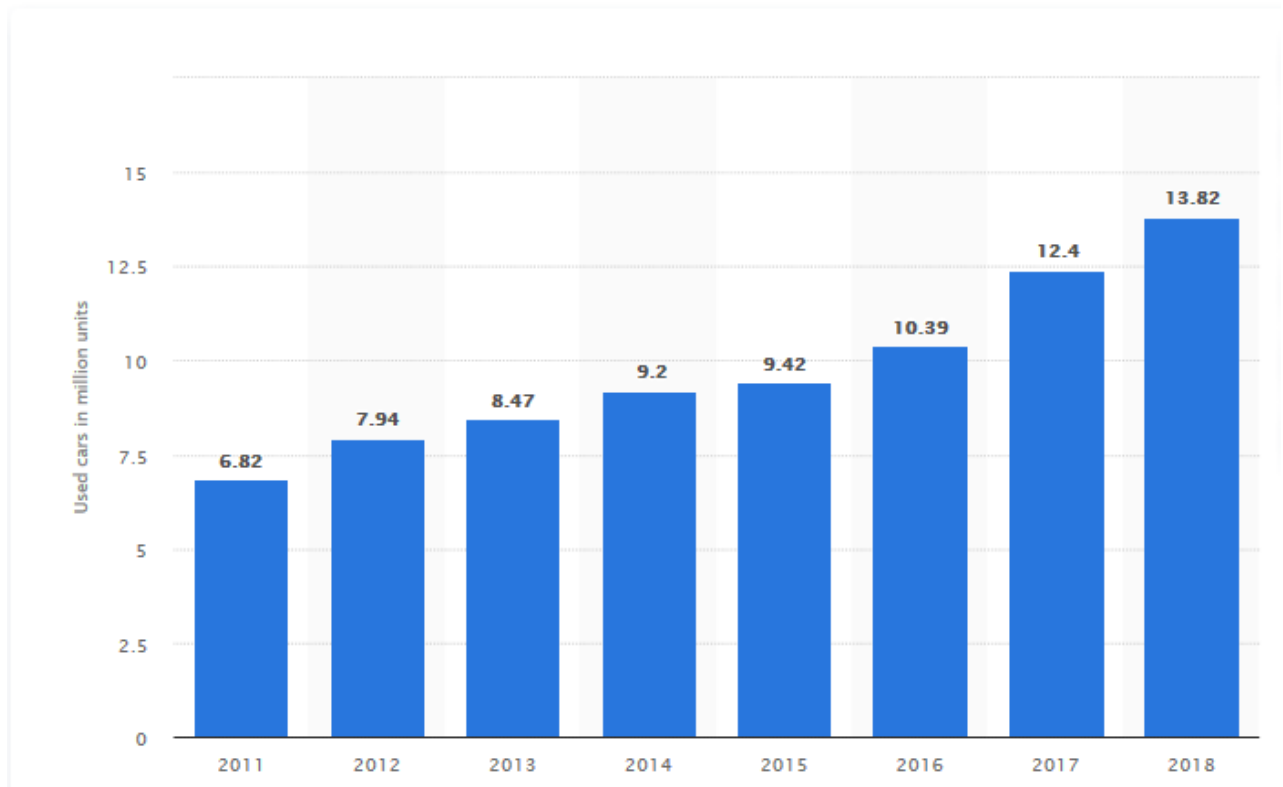
Used Car Market in China

The new car market of 24.4M (2016) in China makes the country automobile giant in the world. The used car volume in 2017 & 18 was around 13M. This figure is different in comparison to other countries where Used Car to New Car Sale ratio is more than 2 while in China this no is relatively small & currently standing at 0.5 It is expected that it would rise in

coming years because of export of used car and changing consumer behaviour in China as well.

Figure 4.4: YoY Used Car sale in China

(in million units)



CAGR of the Chinese used car market was 17% between 2010 and 2015. Furthermore, the taxes on user cars in China are relatively higher. The certified POC market is yet to fully explore as a profit center.

Jiang Shan, director of Power Information Network said that “lack of trust” is the biggest barrier in used car sale growth. Next concern is transaction taxes on pre-owned vehicle sale is higher when it has been sold in other provinces. Hence, cost and trust issues have restricted the growth of used car sale in China.

According to Piston, 5% of used car retail came from franchised dealerships while less than 10% Dealers have their used car sale outlet. Independent dealers’ network & C2C transactions are the major stakeholders of this segment. Online is also capturing the market at a slower pace. Ultimately, WardsAuto shared that real growth in China’s used car market will occur between 2019 and 2023 when the growth rate will rise to 20%.

Indian Used Car Market

With a population of 138M and total households around 27M India is going to be the next biggest market from a consumption point of view in next decade. History has reflected very well that the automobile industry has the capability to adjust as per the need of the public with changing times. Many OEMs left the market and some new has entered in the century, the industry has only one focus that is need of the consumers.

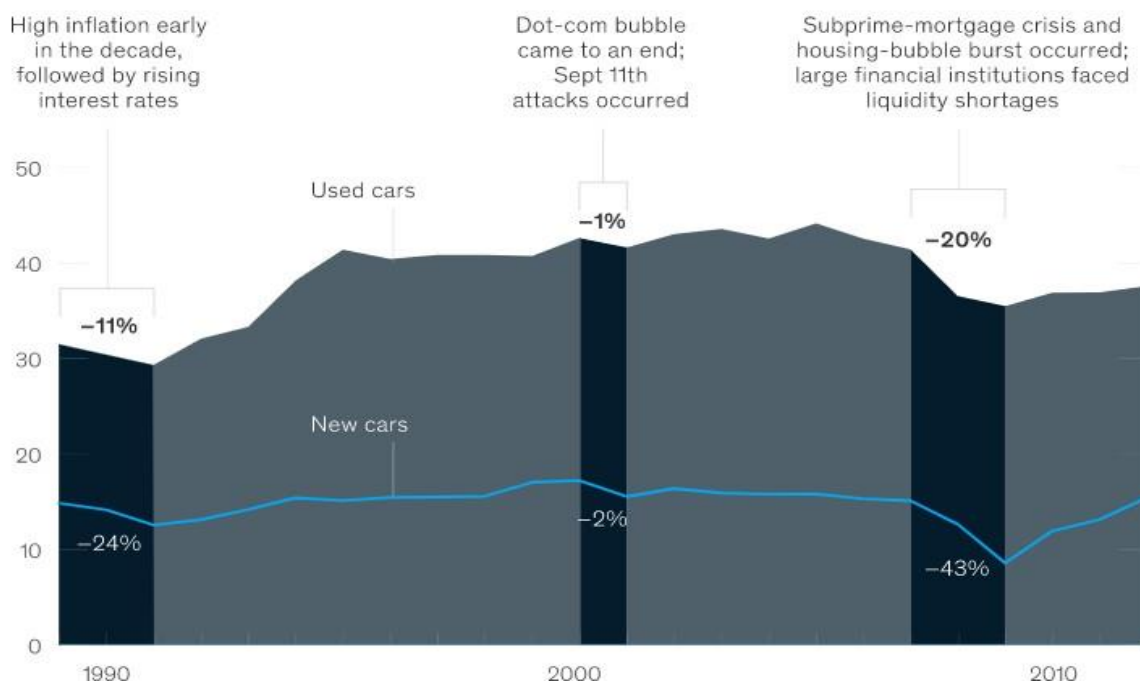
The domestic passenger vehicle sale in India is moving on a bumpy road and facing a huge decline in numbers in comparison to Last FY but used car market seems less impacted from this economic slowdown in manufacturing sector.

Similarly, a Mckinsey report on US car market has found that used car market is less skeptical of economic slowdown as compared to new car market new car decline.



Figure 5.1: Used car sale trend:

Used- and new-vehicle sales peak-to-trough decline in sales volume, million



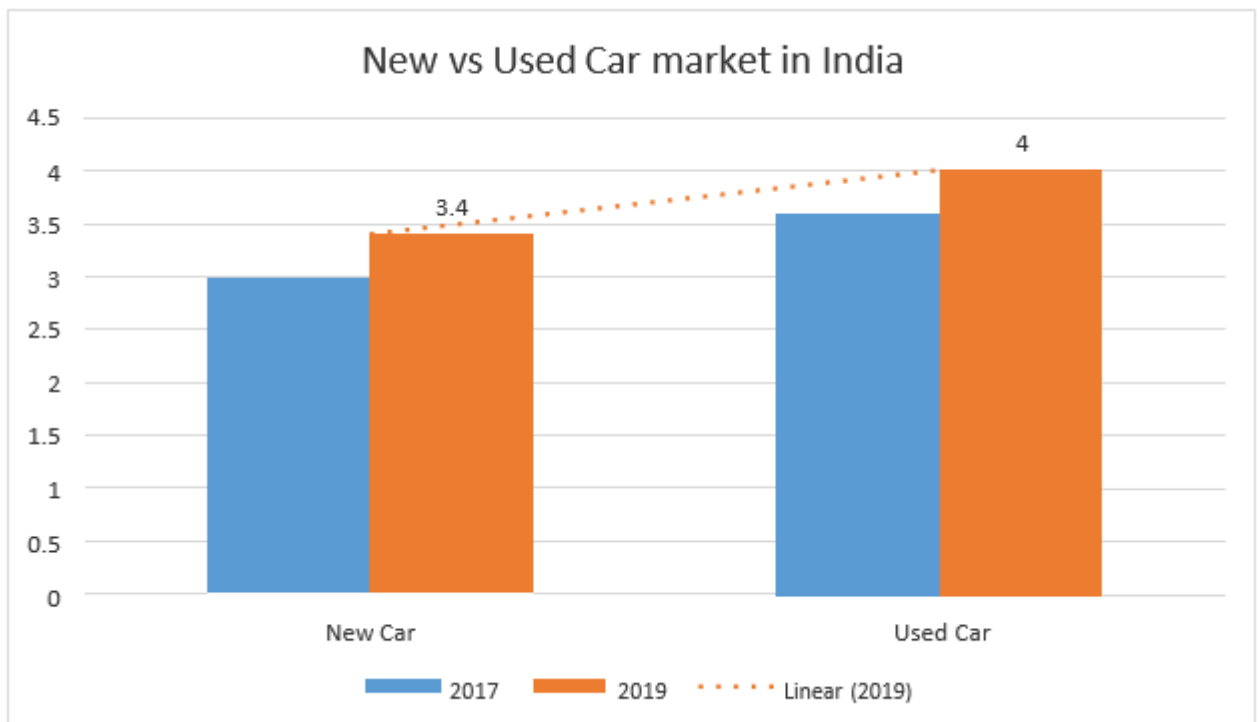
One of the biggest used car players in Indian market is Mahindra First Choice who received a 40- 50% YoY growth in POC cars in FY19 where the overall POC market grew by 12%. Cars24, Car Dekho, Car Trade, etc are the new challenges for existing players in the domestic market. These digital platforms facilitate quick trade-in of the old cars. This channel is highly convenient and enhancing the customer knowledge about pricing and also telling impact of car condition on pricing. Earlier, price awareness was the biggest barrier in used car trading.

Evolution of Indian used car market

Organized players through their strong digital presence and Brick & Mortar concept can win consumer confidence and creating a Brand image of the channel in this unorganized sector. It leads to strong double-digit growth of Mahindra First Choice, but the formalization of this business is at a nascent stage.

Indian used car market is 1.2 times of new car market, during slowdown either there is an increase in used car supply or flat growth in numbers.

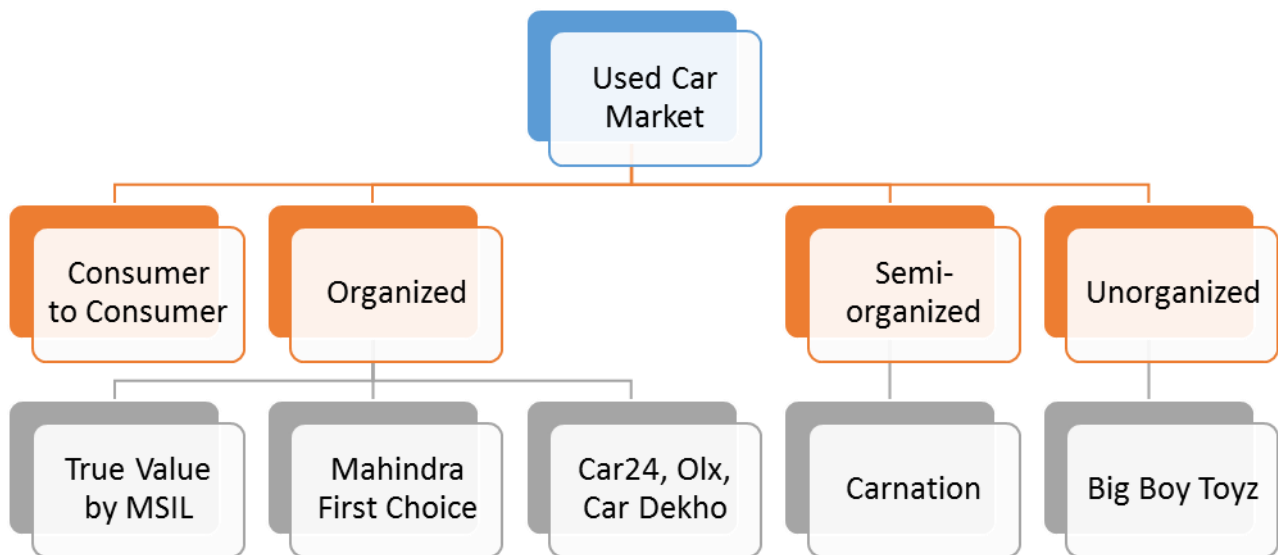
Figure 5.2: New Car Vs Used Car growth in India



Used Car Segments

In India, this industry is driven by four types of players. There was a long ownership period and a lack of used cars prior to the 1990s. It provided a C2C division because transactions were just between customers at the time. Small brokers later emerged to provide a forum for buyers and sellers by restricting the supply of stock. This broking network experienced tremendous growth.

A few players, such as Carnation, who offered used car buy and sell as well as service, created a semi-organized category.



Many Indian organised players have followed the lead of US market players like CarMax in developing their customer segment with certified vehicles. On the contrary, in emerging markets such as India, platforms like Manheim auction are still lacking.

C2C Market: Free transaction between two parties based on confidence and relationship.

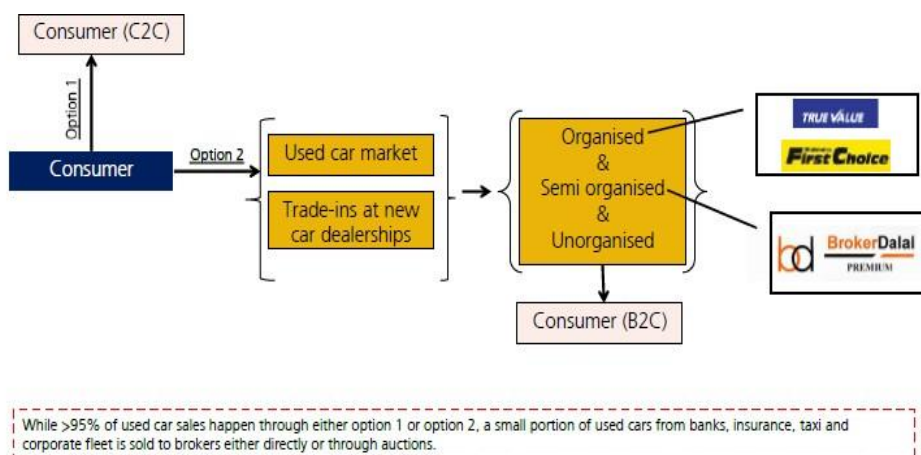
Unorganized / independent used car dealers: Unorganized / independent used car dealers: The oldest players in the industry, unorganised dealers attract customers by dispelling all suspicions and subjective prejudices about the seller and items. The simplest purchasing procedure, but with small stock to show and sell, with the majority of cars falling into the uncertified category, with no warranty.

Organized used car dealers (True Value, First Choice, etc.): This is a kit that combines the advantages of both semi-organized and independent players. They are backed by OEM dealers, which gives consumers peace of mind when visiting and purchasing from them.

Research Methodology

This project is a small attempt to research the buying habits of used car buyers in India. The resale value of each non-consumable object is significant and varies by category. For example, cars have a shorter resale time than houses. Pre-Owned Vehicles (Used Cars) are a rapidly increasing segment of the Indian automotive industry, with a CAGR of 15%. Previously, unorganized players such as brokers/agents dominated the Indian used car industry. New startups and automotive firms, on the other hand, are now attempting to gain market share in the used car sector in order to retain their brand image through a higher resale value of their sold and working models in the marketplace. As a result, consumers are drawn to online and offline sites that have a variety of old car models in stock.

In India, new car sales are well-established and well-understood by most OEMs. In India, the average used car selling volume is currently 1.3 times that of new car sales and is projected to rise to 3 to 4 times that of new car sales in the next ten years. The used car market is in its infancy, and fragmented customer segments at various socioeconomic levels necessitate an understanding of used car consumer behaviour.



Source: JM Financial, India Blue Book

Need of the Study

The used car industry is competitive, and customers assess products based on a variety of factors when deciding whether to purchase or sell a pre-owned vehicle. If any used car player wishes to dominate this segment of the automotive industry, they must first consider these factors in order to strategize and gain a competitive advantage.

Scope of the Project

The study's goal is to determine pre-owned car buyers' and sellers' buying/selling actions, as well as the supply and demand gap caused by price fluctuations. Primary data is collected through an online questionnaire in this research, which is primarily conducted in the Delhi/NCR area.

Problem Statement

In this report, we'll try to figure out what factors influence used car customers' decisions when buying or selling a car. What position does an opinion leader play in decision-making?

Purpose of the Study

The main goal of this research is to define the most important factors that affect used car buyers' and sellers' decisions, as well as how these factors are affected by external factors.

Specific Objectives

1. To comprehend the reasons for the pre-owned car market's supply and demand gap.
2. To determine whether consumers prefer online or offline sites when purchasing or selling a used vehicle.
3. Gaining an understanding of the brand-related factors that influence a customer's decision.
4. To consider the price-related factors that affect a customer's decision.
5. To understand the quality-related factors that influence a customer's decision.
6. How important is the aesthetic component in a consumer's decision?
7. Recognize the role of the opinion leader/reference community in influencing the customer's decision.

Research Hypothesis

H1: A used car buyer's decision is unaffected by brand.

H2: A used car buyer's decision is not affected by price and service & maintenance cost

H3: A used car buyer's decision is unaffected by quality.

H4: Aesthetic appeal does not play a major role in used car buyers' decisions.

Research Design

Research Methodology:

Existing studies and open source data were examined and analysed in this exploratory and descriptive study. Following that, a survey-based study was launched to better understand and assess the real needs of used car buyers. As a result, a questionnaire was created and distributed in accordance with the study's problem statement and objectives.

- **Sources of Data:** Data was gathered from both primary and secondary sources for this report.
- **Primary Method:** It is a tool for collecting new data that is unique in character for the first time. The primary data for this study was obtained using an online Google form. The study relied on primary data collected from the study's target community of young professionals employed in Delhi/NCR and potential used car buyers.
- **Secondary Method:** Secondary data is knowledge obtained from an established database. It contains relevant content from newspapers, journals, business reports, and open-source information from the internet for this research.

The sample or data was gathered using random sampling in an online mode using a Google form. A total of 28 responses were received, which were analysed in depth. The Google Docs programme was used to create the questionnaire. The survey is sent to a large number of people through social media e-mails and WhatsApp.

Literature Survey

Indian Blue Book: A detailed Market Report (2019) by Mahindra First Choice on Indian used car market.

McKinsey released a study: New platforms, used cars: The changing US used car industry was studied to see how to accelerate sales

Gap Identification: it is unclear why a seller with a good car is unable to sell it. There is a need to examine whether there are any other variables that may affect the used car transaction, as well as what the attributes of Price, Quality, and Brand are.

Study Implications

Managerial

It will assist working professionals in comprehending the most significant factors affecting a used car buyer's or seller's decision. What technique should they devise to improve the conversion of the inquiries/leads they are receiving? How can the supply and demand gap be narrowed?

Dealership

Understanding the demand and supply gap problem will help a dealership minimize inventory. Leading factors that can help them better transform the leads they are collecting, as well as how they can handle their used car inventory and satisfy the demand of POC customers.

Consumer

Consumers would be able to understand what the most important things are to consider when purchasing or selling a used vehicle.

Organization

With the competition's moves and customer desires in mind, a company should formulate a plan. The need for offline vs. online platforms is depicted by the preference for offline vs. online platforms.

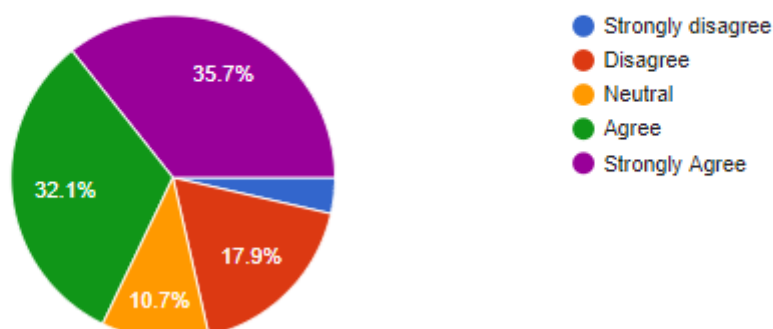
Findings and Result:

To analyze the customer satisfaction in used cars business Indian citizens, we used survey method. Our survey data was collected online with the help of google forms. Viewers were presented with a set of questions.

This research involves 72% of viewers in the age group of 26 - 35 years which hold the major stake and are employed in Multi-National Companies. Survey comprised of 53.6% of male customers while 46.4% are the female customers have responded.

To what extent do you see the car only as transport tool

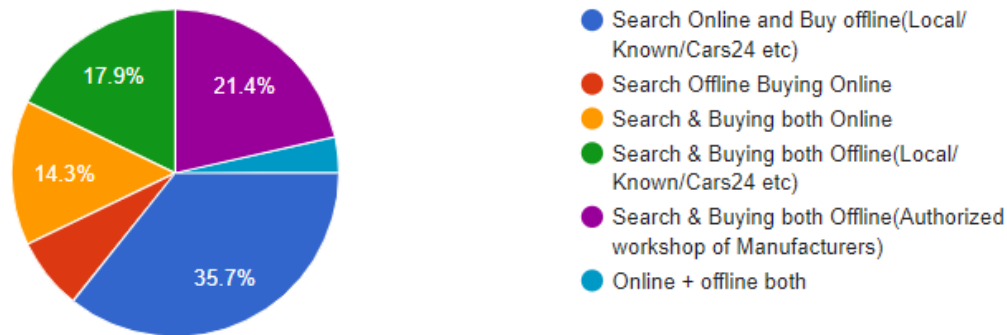
28 responses



When customers were asked to what extent they see the car only as a transport tool or if they see the car as a fashion item/luxury vehicle, almost 67.8% said Yes, they agree with the fact that it is more often used as a transport tool.

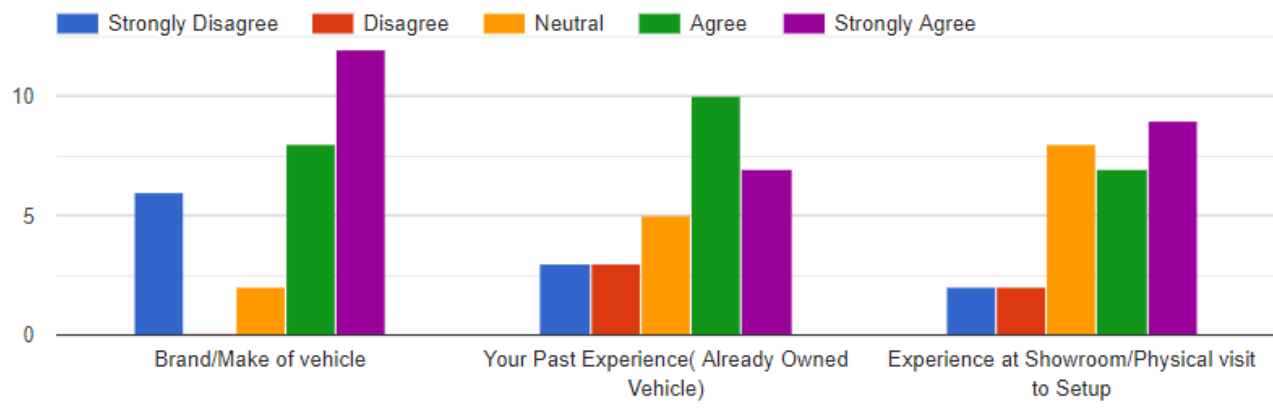
If you want a buy a used car where would you go to buy

28 responses



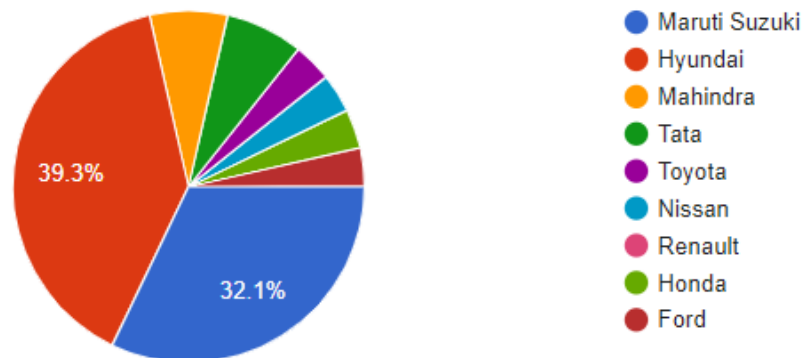
According to the survey responses on what mode the customer prefers while buying/selling of their cars, 35.7% of Indian customer prefer searching online and buy the car offline on cars24 etc. while only 14% preferred buying & selling both online. This shows that customer still prefers going to the dealership to buy the car.

When you are deciding on used car buying following factors would be critical



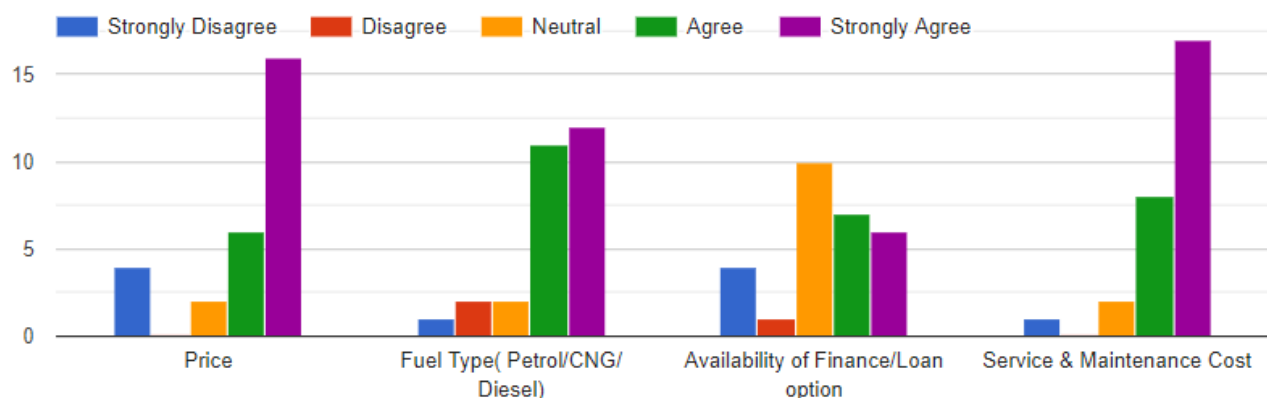
If Owned Car, which Brand/Make do you have

28 responses



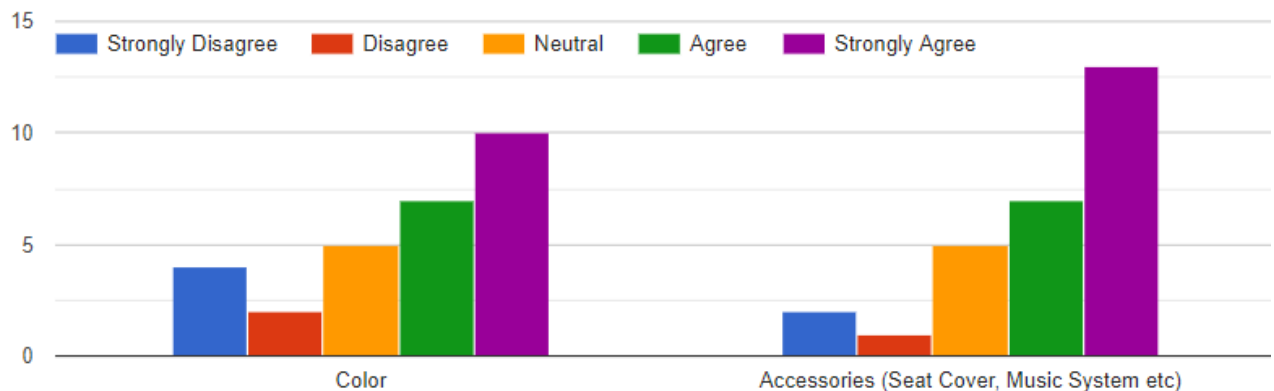
When customers were asked if they prefer vehicle brand, or their past experience or their experience at showroom visit before opting for a used car, they said that brand is most important to them while buying a used car. From the pie chart we can see that Indian customer mostly prefer buying a Hyundai & Maruti used car than any other car brand.

Please indicate your level of agreement with the following factors which play a vital role at the time of used car buying *



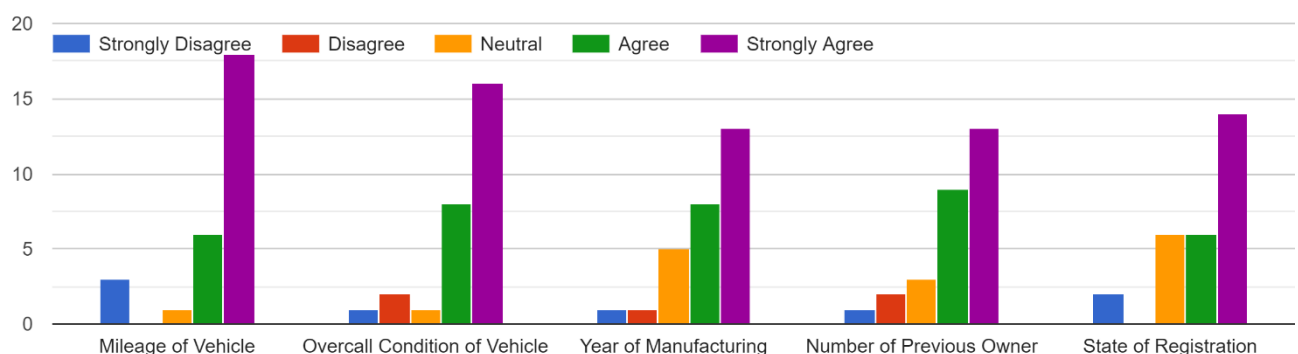
When customers were asked among factors like price, Fuel type, Loan availability, service & maintenance cost which one they prefer before buying a used car, they said car's Price and Service & maintenance cost are the most important factors for them while buying a used car.

Following factors would be important from the aesthetic look point of view at the time of used car buying *



Besides the car price, focusing on what important feature a consumer is looking at while buying a car is very important for a company before formulating strategy to enter into mass customer market. For this, when we asked Indian customers were asked if they prefer car's color (aesthetic looks) or accessories like sat cover, music system, they somewhat gave less importance to esthetic looks than accessories.

Quality parameters indicated below would impact the decision of used car buying *



We know that car's quality is a very important factor which affects customer's buying decision to a great extent. When asked of the quality factors, customers preferred vehicle's mileage on top priority, then comes the overall car's condition which they prefer while buying a used car.

Hypothesis Testing

H1: Used Car's Brand doesn't impact the decision of buyer

The above observations and results indicate the brand has a good relationship with the customer's purchasing decision. As a result, the hypothesis that Brand has no impact on a used car buyer's decision **stands rejected**.

H2: Used Car's Price and service & maintenance cost do not influence the decision of buyer

Pricing has a good relationship with the customer's purchasing decision, according to the above results and observations. As a result, the hypothesis that price has no impact on a used car buyer's decision **stands rejected**.

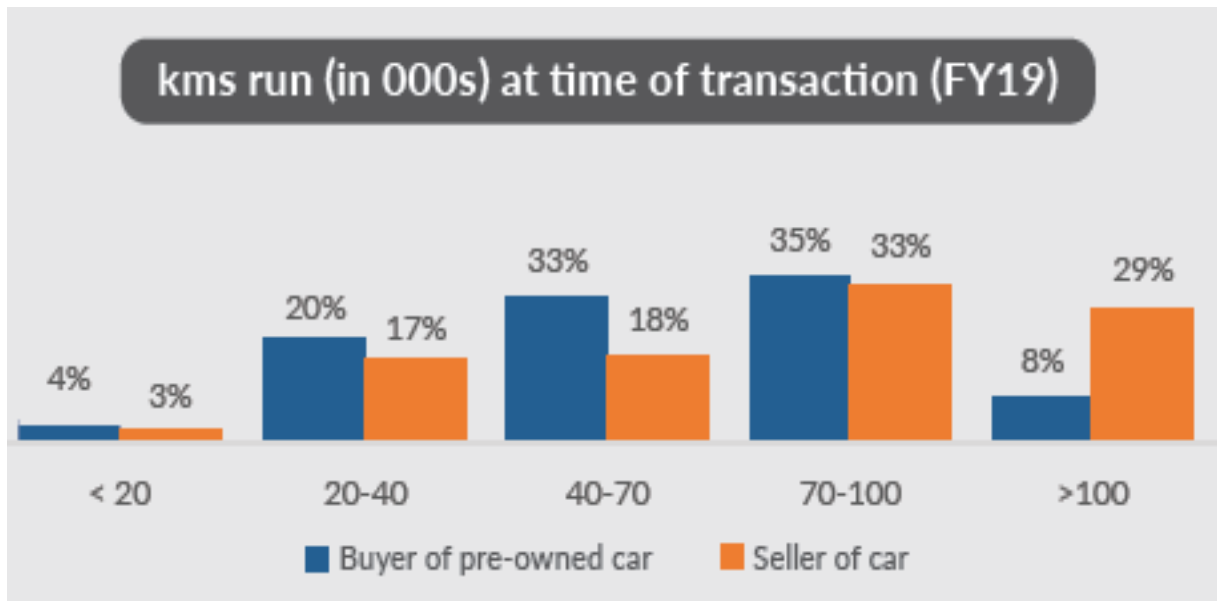
H3. Used Car's Quality doesn't impact the decision of buyer

The above observations and results show that quality has a positive relationship with the customer's purchasing decision. Quality factors like car's mileage and overall car's condition are most important influencing factors. As a result, the theory that quality has little impact on a used car buyer's decision **stands rejected**.

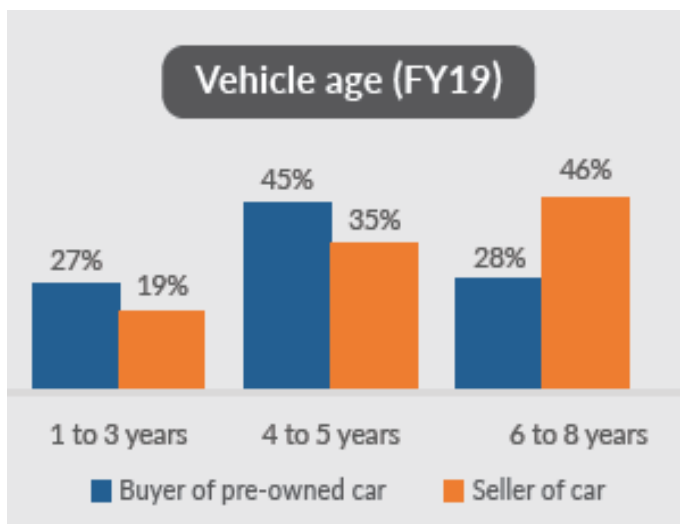
H4. Used Car's Aesthetic look doesn't impact the decision of the buyer

According to the aforementioned observations and results, Aesthetic does not have a favorable relationship with the customer's purchasing decision. As a result, the hypothesis that aesthetics has no impact on a used car buyer's decision is **not rejected/Accepted**.

Demand and Supply Gap



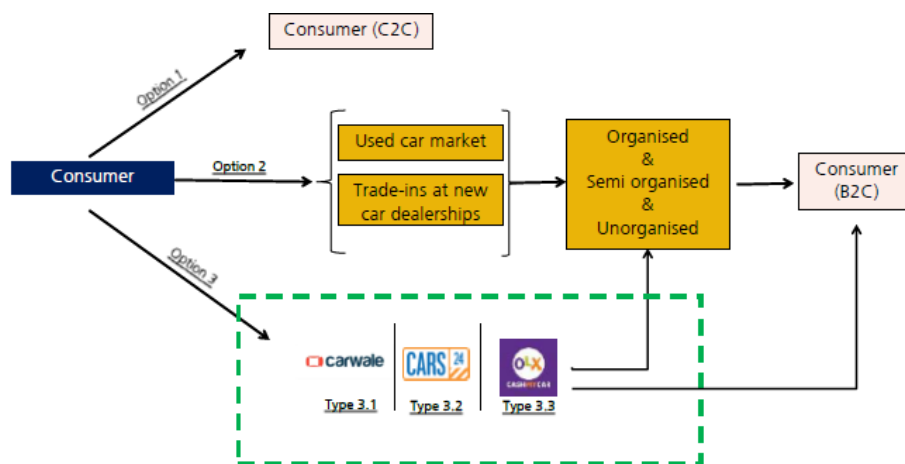
The car's mileage is a key metric that gives the first indication of its condition; the lower the mileage, the better the condition. According to a study conducted by Indian Blue Book, the majority of used car buyers choose to purchase a vehicle with a mileage of less than 70,000 kilometers, while the majority of sellers choose to sell vehicles with a mileage of more than 70,000 kilometers. It creates a huge demand and supply gap.



Similarly, the age of the vehicle is another important factor that influences a car buyer's decision. In this area, the majority of buyers are looking for a car that is less than 5 years old, while the seller wants to sell it after 5 years. George Akelof's famous article "The Market for 'Lemons'" was published in 1970. This describes market failures that arise as a result of imperfect knowledge, asymmetry, and the cost of dishonesty. It represented the issue in the used car market, which occurs when a used car buyer wants to buy a car and begins negotiating with market sellers. He is unaware of the different types of cars available in the market due to information and data limitations. Lemons and oranges are the two most popular varieties. Lemon is the right term for cars sold in good faith where the actual quality of the car is not up to par and the buyer can find out about it over time when the car is used. In fact, only the seller is aware of the car's exact state. An Orange, on the other hand, is a car that is in

excellent condition and can be a decent long-term investment. Again, the seller is aware of the true state of the car's efficiency. It would be difficult for a buyer to distinguish between cars with similar features, appearance, and feel. As a result, the buyer must select a middle ground, and the car's price will be the average price of the car based on average quality (Akerlof describes quality as q and car price as p). Oranges and Lemons tend to have the same price p as opposed to their consistency q . Lemon sellers will profit, but orange sellers will lose money, and they will begin to abandon the vehicle because selling below market price, whether it is a lemon or an orange, reflects that the vehicle is worth less than market value, and consumers will think it is a lemon. It's also fair to think that if we know the car we're selling is reliable, we'll want more than the average market price, since the average contains a percentage of lemons.

Used car business model:



Source: JM Financial, India Blue Book



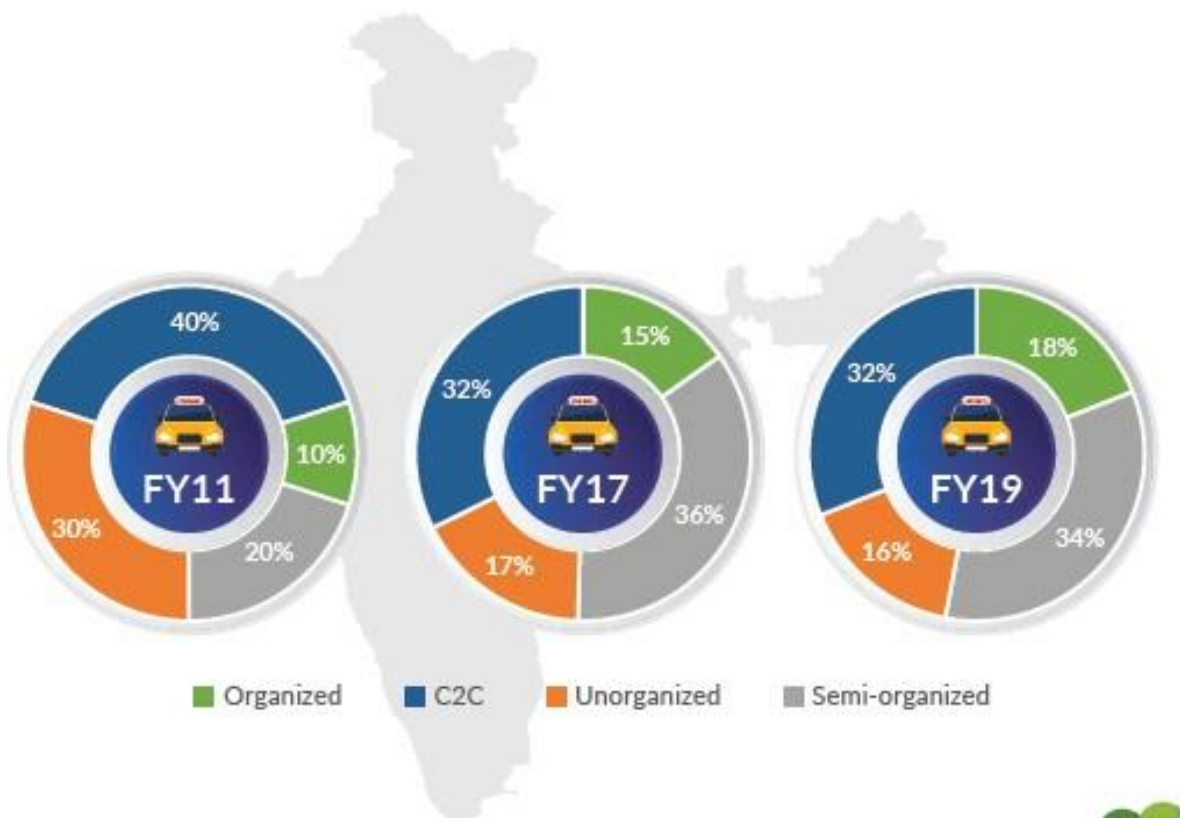
Brand related factors impacting customer's decision

Brands are respected as valuable assets in the eyes of people, organisations, and businesses because they reflect the full image caught in the minds and souls of customers. Based on sales, the “Coca Cola” and “Pepsi” brands generate a lot of money.

Aside from digital platforms and the bricks-and-mortar concept, a company's most important asset is its name. A brand is a mark, emblem, or other distinguishing feature that distinguishes one seller's product or service from those of other sellers. As we saw in the previous analysis, the alternative venue for buying used cars is offline, where both organised and unorganised players compete.

Figure 7.3: Pre-Owned car Market in India

Pre-owned car market in India



It has been discovered that the car's brand is not the only aspect that influences the consumer's decision. Both the product's brand and the selling outlet's brand will affect used car buyers' decisions.

Both factors have a positive relationship with the overall brand factor, according to the findings of the report. Since each used car is a unique product, organised used car players have grasped this idea. As a result, brand awareness can be generated through outlet experience and a pleasant consumer journey. Used car outlets have provided Mahindra First Option and True Value a nationwide presence, and these outlets have helped to create a strong brand.

Furthermore, OEMs have begun to sell certified products for their brands, in line with the business model of CarMAX, a US used car company that differentiates itself by certified vehicles.

Shop 50,000 used
cars, all CarMax
Certified



Price Related Factors Impacting customer's Decision

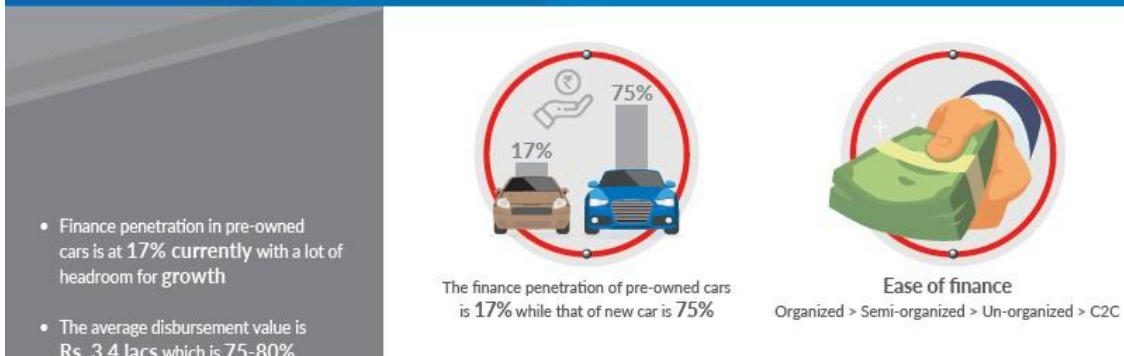
When it comes to used goods, particularly when purchasing a used car, price is a broad term. It takes into account a variety of factors that go into calculating the cost of ownership of a commodity and determining the appropriate price.

“Price is the one element of the marketing mix that generates revenue; the other elements generate costs,” according to Kotler & Keller (2012). They also stated that consumers' purchasing decisions are based on their perceptions of prices and what they believe the current actual price is. Understanding how customers arrive at their price perceptions is a critical marketing aim.

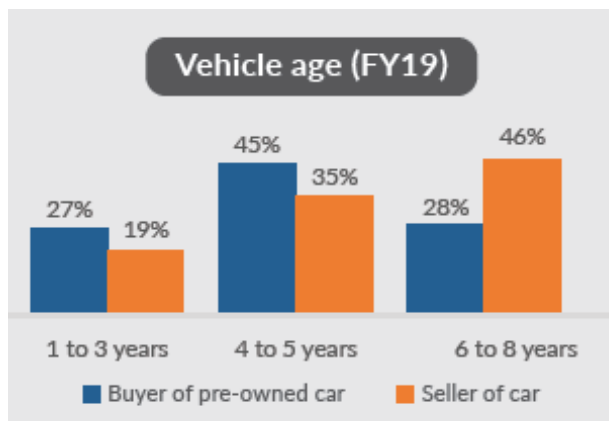
- **Odd even pricing:** The common use of odd pricing has been clarified in a number of ways. One theory is that consumers perceive an unusual price to be much lower than it is. Customers consider a \$4.99 price to be closer to four dollars than nearly five dollars.
 - **Bundle pricing:** A pricing strategy in which multiple goods, services, or some combination of them are presented to consumers as a single package with a single price is known as product bundle pricing. So far, a few research papers devoted to various aspects of package pricing have been published.
 - **Discount pricing:** Gedenk (2002) has discussed the short- and long-term effects of promotional pricing on a business. Consumers, in his opinion, are switching to a specific store that provides promotional rates in the short term. Consumers are also gravitating toward brands that participate in regular promotional pricing.
1. **Cost of the car:** Each commodity has a shelf life and depreciates over time, so its price/cost decreases over time. For buyers and sellers of used vehicles, a depreciated price becomes the real price. It is on the basis of the basic cost features that a customer determines his next move. If a customer believes the used car he wants to purchase has the features and quality he needs, he is willing to pay for it. As reported in goal 1, this is the most important factor for both buyers and sellers, resulting in a demand and supply gap in this industry.
 2. **Type of Fuel used in the car:** The cost of ownership is determined by the type of fuel used, as diesel engines get better mileage than gasoline or compressed natural gas engines. Diesel and compressed natural gas (CNG) are less expensive than gasoline. Petrol vehicles, on the other hand, have lower maintenance costs than diesel and CNG vehicles.

- 3. Finance options:** The automobile industry has expanded as a result of easy financing and loan choices. The benefits of this facility are not available to the used car market. Financing is just 17% in the used car market, but it accounts for 75% of new car sales.

INDIA PRE-OWNED CAR MARKET: THE ROLE OF FINANCE



The analysis results have reflected that this factor has not a strong correlation with the buying decision of a customer.



Quality Related Factors impacting customer's Decision

- 1. Car's Mileage:** This is the most important quality criterion that any buyer looks for while purchasing a used car. The car would be used more if the mileage is higher. It means that depreciation would be higher, resulting in higher ownership costs over time. It has a clear association with consistency, according to the results and findings. When purchasing a used car, mileage is a significant aspect, but it is easy to forget. You can become engrossed in best mpg cars or other performance metrics. Low or high mileage influences the car's value at purchase and selling, as well as the likely maintenance and service costs. The average annual mileage is 12,000, so if a car has mileage somewhat less than 60,000 after five years it would be considered low. If it's much more, it would be classed as high.

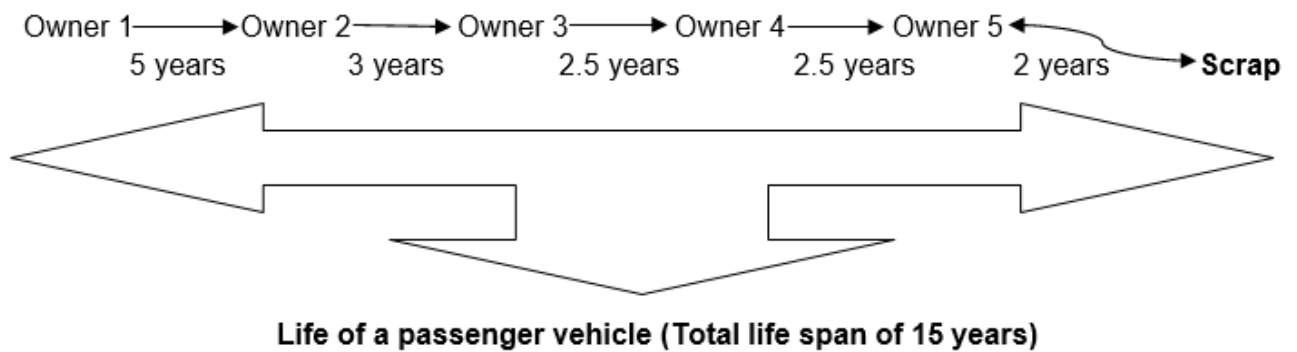
The following model is the simplest for calculating the value depreciation of a car based on mileage. Every band adjustment results in a 20% reduction in the current price.

Figure 7.6: Miles range table



- 2. Condition of the car:** The next two main variables that are evident that explain the condition of a vehicle are mechanical and physical conditions. Accidents, repainting, excessive noise, and driving issues all point to the car's bad state. Even the consumer knows it and seeks advice from an expert. The state of the car has a huge effect on its value. In general, a car's condition is classified as average, good, or excellent. If the car's appearance appeals to the customer and it is technically sound, the customer may claim a reasonable price. It also provides an example of how the car has been handled and cared for in general. Good car maintenance attracts customers and signals that the vehicle is in good hands and is being properly cared for.
- 3. Year of Manufacturing (Age):** In most parts of the world, a car's life is specified after which it is scrapped. However, in India, the point at which vehicles must be scrapped is not clearly specified. The demand and supply disparity is primarily caused by the car's age and mileage. A car that is about to reach the end of its legal existence may be given an extension by a competent authority. However, if they declare it unfit, it cannot be driven on the lane, regardless of the odometer reading or the condition of the vehicle. Cars that are aged on paper will continue to be scrapped regardless of their actual condition until and until the government implements legislation that can practically access each car's condition and provide fitness certificates. This is one of the most important factors in determining the value of a product.

Figure 7.7: Life cycle of a car



4. **Number of previous owners:** The number of previous owners and the age of the car are directly related, so the less the previous owners, the lower the risk and maintenance expense. It believes that buying a car that can be driven by one person is often the best option. The majority of buyers look for a car that has only one owner. There are many reasons why buying a used car from a first owner is still a top priority for used car buyers. Some of them are:
5. **State of registration:** In general, a customer prefers to purchase a car from his home state or the state where he intends to drive it. A situation other than that would necessitate the issuance of a NOC from the RTO, as well as other documents, at the time of name change and resale. This work is easy in one state, but it causes big problems when shifting from one state to another.

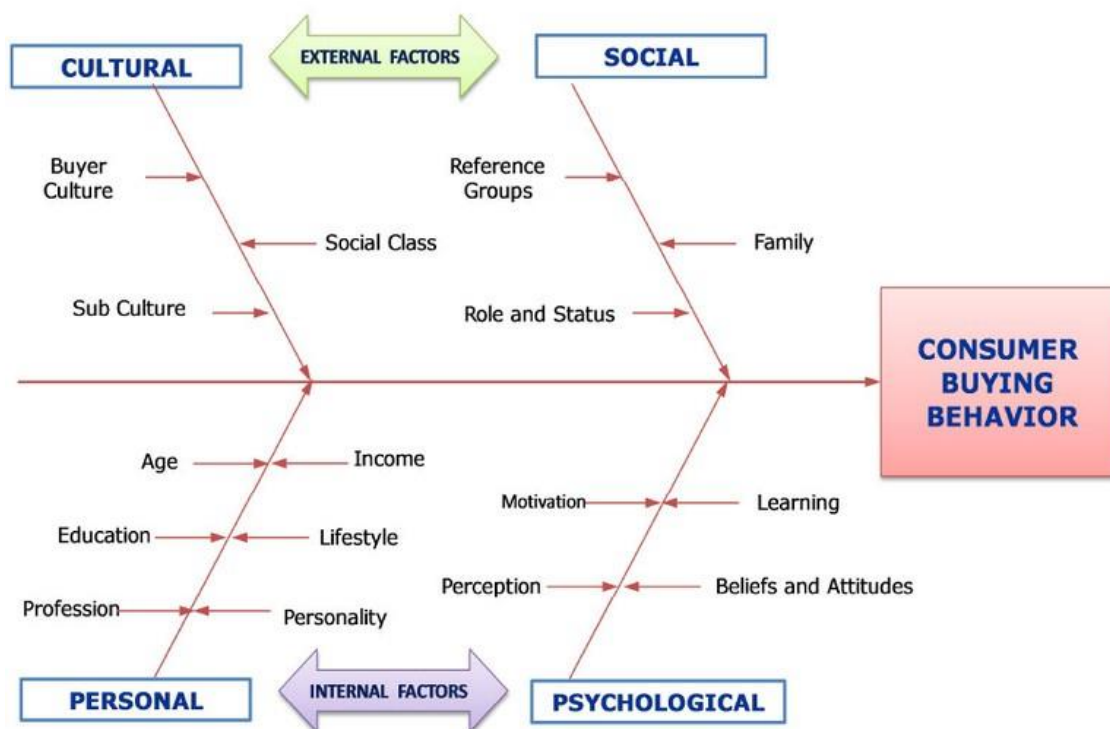
Aesthetic Look Related Factors Impacting customer's Decision

The next major criterion is how a car looks and feels, but it does not seem that this is a deciding factor in the purchase of a new car. On the other hand, aesthetic appearance is not as critical as consistency and pricing.

1. Color is all about the trend; it may have been popular when the same new model of car was released, but repainting happens in used cars due to minor scratches and post-collision damage. The colour of a car will affect its resale value in either a positive or negative way.
2. The next point to consider is that customization and personalization effects such as music systems, special lighting, and so on would not leave a positive impression on the consumer, and he would not be willing to pay extra for them.

Opinion leader's role

INTERNAL AND EXTERNAL FACTORS AFFECTING CONSUMER BUYING BEHAVIOR

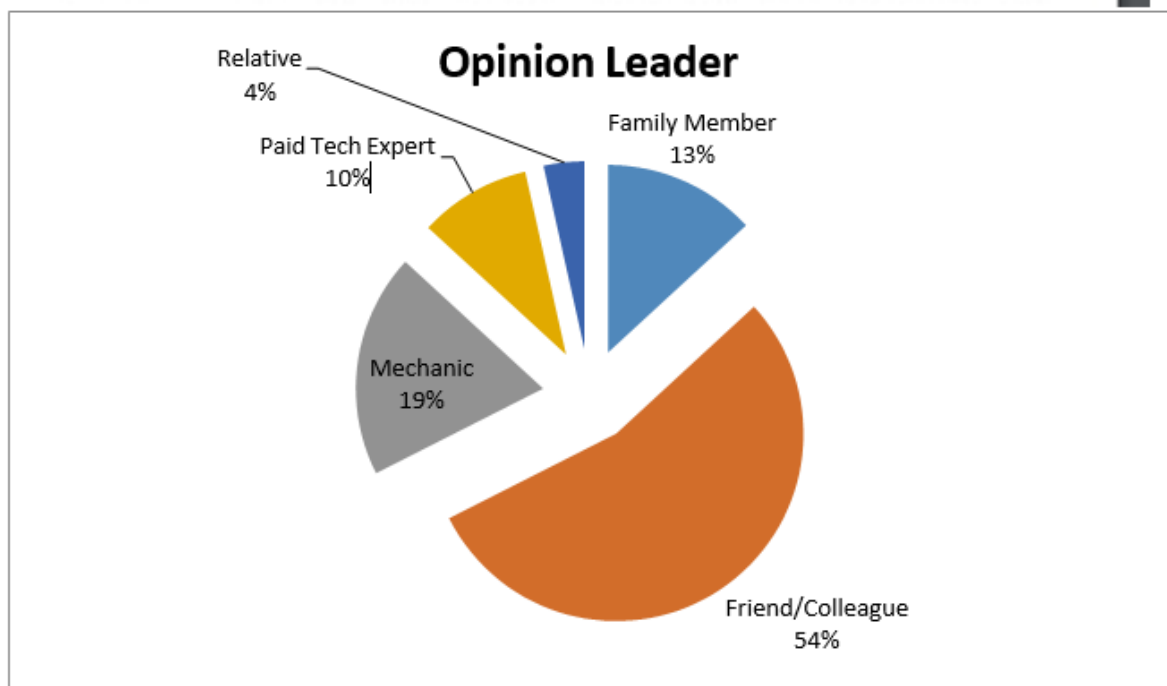


Opinion leaders as "someone whose views are highly valued and used by the respondents to assist in making decisions across a range of circumstances such as what types of clothes to wear, where to have major household items repaired, and how to discipline children." This person may be a friend, priest, member of a social group, relative, or someone in public life whose advice is based on his/her public statements). Opinion leaders, according to R. Burt (1999), are more accurately opinion brokers who bring knowledge across social boundaries between communities. They aren't so much at the top of things as they are at the edge of things, and they aren't so much leaders inside groups as they are brokers between groups. Opinion holders, according to L. Corey (1971), are "trusted and knowledgeable individuals who exist in nearly all primary classes." They can be big influencers on marketing efforts through word-of-mouth contact to circles of family, colleagues, and acquaintances, and they are "models" of opinion. Opinion leaders, according to Glock and Nicosia, "function not only as outlets of information but also as sources of social pressure against a particular choice, as well as social encouragement to reinforce the choice once it has been made." On a more general level, Berelson and Steiner identify opinion leaders as "those trustworthy and knowledgeable people who exist in virtually all primary communities, who are the 'models' for opinion within their community, who listen to and read the media, and who then pass on knowledge and power to their circle of relatives, colleagues, and acquaintances.

Characteristics of opinion leaders

Following attributes of opinion leaders are shown as:

- | | |
|---|---|
| 1. Enjoys life | 13. Has all around knowledge |
| 2. Has common sense | 14. Evaluates you fairly |
| 3. Utilizes you to test his or her ideas | 15. Is available when you need him or her |
| 4. Motivates you to follow his or her advice | 16. Looks like you |
| 5. Does not care what social group you associate with | 17. Expresses empathy towards others; identifies with them |
| 6. Belongs to the same social group as you do | 18. Is wealthy |
| 7. Can easily evaluate you for what you are | 19. Is mature |
| 8. Has high degree of professionalism | 20. Makes you follow rules; enforces norms on you |
| 9. Has strong opinions on many things | 21. Quite experienced about life |
| 10. Is not modest | 22. Likes to give advice so others will do those things he or she is afraid to do |
| 11. Is down to earth, practical or pragmatic, not pretentious | 23. Not afraid to give an opinion |
| 12. Gets jealous of other opinion leaders | 24. Does not stand out in a crowd |



Since buying a used car entails a complex combination of quality, price, and brand issues, buyers often seek assistance from friends and family members who can advise them on the best brand and price range for a given quality product.

Conclusion

In an evolving market & reducing car ownership cycle, a buyer & a seller are looking for a reliable, safe & convenient mode of transaction for used car. But, earlier only seller was aware of the product quality and relative pricing. Now, buyers are also aware & enhancing their product related knowledge through online pricing tools and details available at offline stores/online public domain.

The 4 main factors like Brand, Price, Quality & Aesthetic are having many other sub-factors that impact the buying decision of a used car buyer.

Opinion leaders are gaining the confidence of the customers and becoming a need of the organized market.

Recommendations

1. It is necessary to comprehend the purchasing habits and expectations of consumers in a given country when it comes to the goods in question.
2. A used car seller's or buyer's decision is affected by a variety of factors. When dealing with the used car market, all considerations must be considered.
3. Since each product is unique and has its own set of features, the digital platform and brick-and-mortar concept will coexist. Physical proof, as well as the touch and feel of the product, are extremely important in this situation.
4. Opinion makers, such as technical experts, need time to educate consumers. This specialized service is still underutilized in the country and has room to expand. As a result, new startups and established players can prepare and strategize around this business need.

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