

# Marketing Strategies Of Car Makers In The Pre-Owned Car Market In India

*\* Dr. B. Shafiulla*

## INTRODUCTION

✿ **History of The Indian Car Industry:** From the singsong rhythm of the bullock cart to the jet age, India has travelled a long way. It was in 1898 that the first motor car rode down India's roads and until the First World War, about 4000 cars were directly imported to India from foreign countries. The Hindustan Motors (HM) was set up in 1942, and in 1944; Premier Autobackmobile (PAL) was established to manufacture automobiles in India. It was PAL, which first produced the cars in India in 1946, as HM concentrated on auto components and produced their first car in 1949. Since the 1980s, the Indian car industry has seen a major resurgence with the entry of Maruti Udyog Limited (MUL) and with the opening up of the Indian auto industry to foreign manufacturers and collaborators. And the unveiling of the world's cheapest car, Nano of ₹ 1, 00,000 by TATA Motors in July, 2009 has created a new segment of mini cars, which competes with other small cars in the industry.

✿ **The Indian Automobile Industry:** Today, the Indian automotive industry is capable of producing various kinds of vehicles and can be classified into four broad categories; Two Wheelers, Three-Wheelers, Passenger Vehicles and Commercial Vehicles. The two wheeler and passenger vehicle market dominates the Indian Automotive Sector. New passenger vehicle sales in India rose by 25.2 percent in April, 2009 to January 2010, compared with the corresponding ten months of the earlier year. Maruti Suzuki India sales in 2009 were at 967581 units, with a market share of 52 percent as per the data released by Society of Indian Automobile Manufacturing Association (IAMA). India's passenger cars sales totaled 1.43 million units in 2009, 18.7 percent more than the 1.20 million units sold in the year 2008, according to Bloomberg's calculation of data released by AIMA. The Indian Big Three namely Maruti, Tata and Mahendra and Mahendra boasted a combined market share of the passenger cars, with more than 60 percent market share. Of the global OEMs (Original Equipment Manufacturers), Hyundai Motors India, the country's second largest car manufacturer and largest passenger car exporter has the outright lead with over 15%, and another challenger is Toyota Motors. In India, there are 100 people per vehicle, while this figure is 82 in China. It is expected that the Indian automobile industry will achieve mass motorization status by 2014. Globally, India is an attractive destination for global auto giants like BMW, General Motors, Ford and Hyundai Motors, who are setting their base in India due to the cost advantage and market potential. By 2010, India was expected to witness an investment of over ₹ 30,000 crore. The major investors in the industry are MUL investment of ₹ 6500 crore to set up a second car manufacturing plant, with a capacity of 2.5 lakh units per annum and Hyundai will bring more than ₹ 3800 crore to India. Honda Motor Company has plans to set up a manufacturing unit in Rajasthan at a cost of US\$250 million, with a capacity to produce 60,000 cars in the initial phase. GM plans to increase its "Spark" mini car production in India from the current levels of 17000 - 18000 to 30,000 - 35,000 units in 2008. Tata Motors has invested ₹ 2000 crore in the small car project and acquired Jaguar and Land Rover for \$2.5 billion, two major brands of Ford Motors to enter into the global market in a big way. Tata's mini car, the Nano, the world's cheapest car with a price tag of US \$ 2500 has made a car affordable to 50 million current two-wheeler owners and first-time car owners. It will create a completely new segment in the car market. Hyderabad, the Hi-Tech City, came up with the first automobile mall of the country "Autopolis" in mid 2008 by city based Prajay Engineers Syndicate in the area of more than 35 acres. It has various facilities for Auto Mobile Financial Institutions, Insurance Companies, Multi-purpose Convention Centre for Auto Fairs and Product Launches. In the year 2008 - 2009, more than 20 new models of cars have been on the Indian roads. Some big names of global car makers as new entrants in passenger cars are Citroen, Volkswagen AG, Nissan (separately, apart from its tie-up with Suzuki). By the end of 2010, India was to be a two million passenger car market and will become a three million market by 2015, according to Ronald Berger Strategy Consultants.

---

\*Faculty, IBS Bangalore, #19/3, Srinivasa Industrial Estate, Near Metro, Kanakapura Road, Bengaluru - 560 062.

E-mail : baranshafi@rediffmail.com

## OBJECTIVES OF THE STUDY

### Primary Objectives

- ✿ To find out the strategic reasons for entry of car makers into the pre-owned car business in India.
- ✿ To know the different marketing strategies of car makers in the pre-owned car business in India.

### Secondary Objectives

- ✿ To understand the nature and characteristics of the Indian pre-owned car industry.
- ✿ To know the drives or reasons for boom in the used car business in India.
- ✿ To know the various types of pre and post-purchase services provided by unorganized and organized pre-owned car dealers.

## METHODOLOGY

The primary data for this paper has been collected through semi-structured interview questions from a sample of 45 unorganized pre-owned car dealers and 15 pre-owned car dealers of car makers, i.e. car makers - namely Maruti's True Value, First Choice of M&M, Toyota's "Toyota You Trust" and Honda Motor's "Auto Terrace" in Bengaluru, Hyderabad and Ahmedabad and Kolkata used car markets. Non probability convenience sample method is used for this study. The secondary data has been collected from various auto magazines, journals, newspapers and online information related to the pre-owned car business. Most of the primary data for this research has been collected during the period of May 2008 to June 2009.

## FOCUS OF THE STUDY

This study is mainly focused on marketing strategies of car makers in the pre-owned car market in India. The geographic focus of the study is mainly restricted to a few major cities of India namely Ahmedabad, Bengaluru, Hyderabad, and Kolkata as the penetration of pre-owned cars is high in this region.

## LIMITATIONS OF THE STUDY

A major limitation of this study is that 85 percent to 90 percent of the pre-owned car market is dominated by the unorganized sector, which comprises of customer to customer transactions, and individual brokers. Therefore, it is difficult to get accurate information about their total sales per annum, number of dealers, and other relevant information for this study. Most of the dealers and their representatives were hesitant to provide information regarding their pre-owned car business during interviews and other informal interactions. There is no formal research and published work in India related to the pre-owned car business. Most of the first-hand information was collected through experts' opinions and personal interviews and secondary sources of information were newspapers, auto magazines and websites.

## NATURE OF UNORGANIZED PRE-OWNED CAR INDUSTRY IN INDIA

Currently, the pre-owned car market size is estimated at 1.5 million in India and it is growing. The Indian pre-owned (*Previously Owned or used car or second-hand car*) market is dominated by over 90 percent by the unorganized sector. This comprises of nearly 60 percent of the deals, that are characterized by owner-to-owner (customer-to-customer) transactions, and another 30 percent through brokerage mediated by individual brokers and car mechanics, etc. A miniscule 10 percent of the pre-owned car market is controlled by the organized sector. In Bengaluru alone, there are 500 to 600 pre-owned car dealers in the unorganized sector. One area that worries every pre-owned car purchaser is the authenticity of the car. In India, the equation between pre-owned cars and new cars is 1:1, that is, for every one new car bought (1 million units per year), a used car is sold, and the pre-owned car market is growing faster, at the rate of 26 percent as compared to the 18 percent for the new car market. There is a bigger pool of pre-owned cars, with more car models being launched and people who buy new cars do not usually own it for long and tend to sell it off in two to three years. In matured markets like USA, people replace their cars once in two- three years, coinciding with the clearance of car loans and go for a new model. In India, such a trend is catching up. Especially in Bengaluru, the floating and rich population of software employees sell or exchange their cars as they will change their jobs (or there is a hike in their

salary and designation) from one city to another city. Individuals may phase out their used cars more frequently because of greater safety features, more important safety considerations, more economy and comfort, etc. Pre-owned car dealers provide the most affordable resources to the interested buyers. The major limitations of the un-organized used car market are:

- ✿ Lack of display and warehouses of used cars for a majority of the dealers.
- ✿ Limited choice of cars without any standard price.
- ✿ There was no assurance and guarantee of technical conditions of the used cars.
- ✿ Could not check the background or legality of the previous owner.
- ✿ After sale services are very limited or nil.
- ✿ Though used car dealers have their own drawbacks, still, they command a majority of the market share as their prices are very low and negotiable as compared to organized used car franchised dealers of car manufacturers. Their distribution network and sourcing of used cars is much more efficient than car makers.

## KEY FINDINGS OF THE STUDY

✿ **Reasons For Boom In The Pre-owned Car Business In India:** In this study, through interview of various dealers in organized and unorganized pre-owned car market, it was found that the major factors for boom in the pre-owned car business in India are as follows:

- ✿ Entry of global car makers into the Indian car industry and increasing competition in the domestic market created a huge resource of pre-owned and new cars.
- ✿ Frequent introduction of new models of cars by most of the competing Indian and global car makers in India is approximately 25 models yearly. It leads to frequent changing of cars by the existing car owners.
- ✿ Decreasing prices and aggressive sales promotions of various car makers motivate existing car owners to sell their used cars and acquire new cars. This has enhanced the supply of pre-owned cars in the market.
- ✿ Most of the car makers want to enhance the residual value or resale value of their car brands by providing higher prices in the pre-owned car market by exchange programs. Higher pre-owned car prices generally increases the sale of new cars, as they will get value for money even after three to five years.
- ✿ Demand for pre-owned cars, especially small cars, has increased from owners of two-wheelers, who want to upgrade from two wheelers to cars, as the price gap between a new two-wheeler, and a pre-owned car is negligible.
- ✿ Easy access to pre-owned car financing provided by various private and nationalized commercial banks at lower rate of interest and for longer duration motivates a first car owner to purchase pre-owned cars.
- ✿ For most of the new car dealers, selling a pre-owned car can get a profit of 10 percent to 20 percent minimum, where as, by selling a new car, they can get a maximum of 2% to 5% profit margin. This makes the new car dealers to enter into the pre-owned car market.
- ✿ Increasing income of middle class families in India is one of major reasons for growing demand for new and pre-owned cars, especially A1 and A2 segment pre-owned cars.
- ✿ For few customers, buying a new car is not affordable and is a huge financial investment, therefore, they prefer a pre-owned car over a new car.
- ✿ Generally, it is found among entry level customers before purchasing a new car; first, they will go for a pre-owned car. This is to adapt themselves and learn to drive cars in cities as they are accustomed to driving two-wheelers.
- ✿ Change in lifestyle of most of the people in urban areas - for transportation and travel, they prefer a car rather than traveling by a two wheeler or using public transport.
- ✿ Boom in the real estate market has created few high income groups from the last four years and demand for mid size and premium cars has increased. This has mostly occurred by upgrading from small cars to big cars, which in turn has enhanced the supply of cars for the used car market.
- ✿ Upgrading to new models of cars from the pre-owned car market is convenient and cost effective for majority of the middle class customers. Therefore, they opt for exchange of their used small cars with higher end premium cars in the pre-owned car market.
- ✿ Maintenance cost of used cars for existing car owners usually increases after three to four years, so frequent

replacement of used cars has increased by the existing car owners.

✿ Entry of car makers like Mahindra and Mahindra's "*First Choice*", Maruti's "*Maruti True Value*" and entry of few big corporate groups like Reliance Retail's AutoZone has transformed the pre-owned car business into a more organized business, and has succeeded in building the trust of the customers towards the pre-owned cars. This in turn has created a positive perception of pre-owned cars, which in turn has led to a demand for pre-owned cars.

## SERVICES PROVIDED BY ORGANIZED PRE-OWNED CAR DEALERS TO CUSTOMERS

In India, many new car dealers act as pre-owned car dealers, but at the same time, the number of dealers who deal exclusively in pre-owned cars is huge. Organized used car dealers employ qualified automobile engineers and experienced mechanics who certify the cars for their Performance, Authenticity and Reliability. In the process, vehicles involved in accidents and stolen vehicles are rejected. Most of the organized used car dealers have tie-ups with financial institutions and banks, which will provide "*Spot Finance*" ranging from 60% to 90% of the vehicle cost, based on the make of the car and the customer's income. These dealers have a swanky showroom, which matches and indirectly competes with the showrooms of the dealers of new cars. Entry of car makers into the pre-owned car market has got many benefits like the prices are getting stabilized, and in line with international trends, and quality of customer services is improving.

✿ **Professional Services:** Most of the one-stop pre-owned car dealer outlets provide everything under one roof like pre-owned car finance, accessories, insurance, registration and paperwork and other services by their trained and professional employees.

✿ **Financial Assistance:** Majority of the organized dealers including car maker's outlets, dealers and private independent dealers have tie ups with many financial institutions and commercial banks for inventory funding and consumer loans at competitive interest rates.

✿ **Purchase And Sales:** Most of the used cars dealers not only sell the cars - they are also buyers of cars from the customers. They may pay cash or exchange the old car for a new car, or they will exchange a pre-owned vehicle for an upgraded pre-owned car model. Many used car dealers provide the facility of online buying and selling services to their customers. Even few companies are providing consultancy services, including guidelines for purchasing used cars.

✿ **Umbrella Warranty:** Maintenance cost, quality, authenticity of the owner is a concern for every buyer of a pre-owned car. To give comfort and peace of mind to the customers, a few pre-owned car dealers of car makers like First Choice brand it as umbrella warranty.

✿ **Mega Carnivals:** Providing a wide choice of cars, most of the organized dealers in mega carnivals provide a large number of car models of all makes and brands, suiting different budgets under one roof.

✿ **Certification:** Certification program is providing credibility and transparency, in which, the exact condition of the car is determined. Therefore, they termed it as "*Certified Pre-owned Cars*". Car manufacturers take the old model used cars (usually less than five years old). Then, these pre-owned cars are put into a rigorous inspection process by their trained staff, an extended warranty and other perks are attached to the vehicle, and then, it is sold at a premium to the customers. It provides customers of pre-owned cars a warranty for limited time period or number of kilometers - like a warranty for new cars.

✿ **Park & Sell:** Organized dealers help car owners to sell their used cars through "*Park & Sell*" option by charging 1 percent to 3 percent commission on sales price.

## REASONS FOR ENTRY OF CAR MAKERS INTO THE PRE-OWNED CAR BUSINESS

The used car business has been in the Indian auto market for years, but due to risky and unorganized nature of buying used cars without any warranty, and due to lack of certification of used cars, the pre-owned car business has been unable to become a significant part of the Auto Industry. From the last four years, with major car manufacturers entering into the pre-owned car business in a big way in India, the competition between pre-owned cars and new cars



has reached its peak. All these pre-owned cars are generally termed as “*Certified Used Cars*”, as they are provided warranty and certified quality from the car dealers. Car makers enter into the pre-owned car market either directly with their own independent outlets, or by a collaboration through their new car dealers. Major brands of pre-owned car outlets of car makers are as follows:

- ✿ “*Maruti-True Value*” - Maruti Suzuki India Ltd.
- ✿ “*First Choice*” from Mahindra and Mahindra.
- ✿ “*Toyota You Trust*” of Toyota Kirloskar Motors Ltd.
- ✿ “*Auto Terrace*” of Honda Sael Cars India Ltd.
- ✿ “*Hyundai Advantage*” of Hyundai Motors Company.
- ✿ “*Chevrolet OK*” General Motors
- ✿ “*Ford Assured*” of Ford India Ltd.
- ✿ “*TATA Motors Assured*” from TATA Motors.

Different car manufacturers have entered the pre-owned car business with different objectives, and they have different marketing strategies and priorities in entering into the pre-owned car business. Maruti Udyog Limited is the first car maker to enter into the pre-owned car business in a more organized way with their “*Maruti True Value*” brand of outlets.

The major reasons for entry of car makers into the pre-owned car business are given below:

- ✿ **Exchange Offers:** Many car makers are increasingly looking for potential buyers of their vehicles in the used car market, by exchanging used cars for a new car model, especially for their existing customers.
- ✿ **Resale Value (Residual Value):** Many car manufacturers want to maintain the Resale Value of their used cars so that demand for the model of used cars can be increased or stabilized. For e.g. MUL's Wagon R, Alto and Swift are the top used car brands in India for their high resale value, which in turn leads to an increased demand of new-car sales due to its brand value.
- ✿ **Customer Retention:** A market leader in the car market can retain their loyal customers through an exchange program, by exchanging used cars of existing customers with upgraded models or new models of cars.
- ✿ **Winning Back Lost Customers:** Car manufacturers, especially who are market leaders in a specific segment, can win back lost customers by exchanging new cars of their company brand for used cars of other competitor brands. This strategy is especially used by Maruti True Value of Maruti Suzuki India Ltd.
- ✿ **Profit Margin:** By selling a new car, dealers can get a maximum of 2% profit margin, whereas, selling a used car can get a profit of 10% to 15% minimum. So, new car dealers can enhance their profit margins by selling used cars.
- ✿ **An Initiative of New Car Dealers:** Increasing competition among distributors of various car makers encourages competition for entry into the used-car business. That is, entry of car makers into the used car market is generally an initiative from their influential new car dealers.
- ✿ **Commercial Bank's Support:** Support and Collaboration from commercial banks for used-car business has also motivated car makers to enter into the used car market. Commercial banks are providing loans up to 60% - 90% of the used car value. They can also minimize their financial risk with this collaboration. It also helps them mutually to enhance their business. Commercial banks like ICICI Bank, HDFC Bank, Kotak Mahindra Bank and few other nationalized banks have a collaboration to support purchase and sale of pre-owned cars.
- ✿ **Competitive Strategy:** Most of the car makers want to have their presence at every level in the market, where their key competitor is present. They also want to attract potential customers to enhance their market share and retain their loyal customers. As a majority of the car makers are entering the pre-owned car market, so every car maker wants its presence for this strategic reason.
- ✿ **Maximum Utilization of Dealer's Network:** As cost to dealers - like rents and other maintenance costs are increasing - to minimize this cost, a pre-owned car outlet in the same premises of a new car dealer outlet is feasible. This minimizes the overall cost of distribution to car makers and new car dealers. This will enhance their profitability, and at the same time, cost can be utilized towards trade promotion and customer promotion schemes.
- ✿ **Increased Dealer Margins And Dealer Promotion:** To satisfy their new car dealers by providing them additional

monetary benefits by higher profit margins in used car sales. The profit earned by selling used cars is shared by dealers and car makers as per their agreement.

## **VARIOUS MARKETING STRATEGIES OF CAR MAKERS IN THE PRE-OWNED CAR MARKET IN INDIA**

Majority of the car manufacturers enter the used car business through their franchised outlets, and some car makers have their own used car outlets along with their new car dealers. Entry strategies of a few major car makers into the used car market are given below:

✿ **Maruti True Value** : MUL (Maruti Udyog Limited) launched its pre-owned cars business under the brand name “*Maruti True Value*” at its first country outlet - Mandovi Motors in Bengaluru in October 2001. Maruti True Value is at the top, with more than 90,000 used cars sold through its network in 2009. Maruti True Value has more than 300 outlets throughout India in major cities and towns. Their certified cars go through a 120-point check by certified engineers to ensure the quality of pre-owned cars, and they also provide a warranty upto 1 year for cars that are less than 5 years old. Maruti True Value has met with a huge success and acceptance in the pre-owned car market. Their initial priority was to exchange their new car models and higher-end cars with existing customers. Maruti True Value used different consumer promotion schemes like “*exchange bonus*” on the exchange of a used car with a new Maruti Suzuki. Later, this priority was changed to maintain the Resale Value (Residual Value) of their cars, because one of the major reasons for demand for new cars is the resale value of the used car in the market. Their major objective is to deal with only Maruti Suzuki brand of pre-owned cars and encourage sale of their new model or new cars. Maruti True Value is changing their marketing strategy, now they have launched Multi Brand Outlets throughout India. First multibrand pre-owned car outlet was launched in New Delhi. This initiative will definitely change the overall competitive structure of the pre-owned car business in India.

✿ **First Choice** (formerly *Auto-mart India*) is the pioneer of pre-owned car businesses in India, which belongs to the \$2 billion Mahindra Group. First Choice has integrated multi-brand outlets (MBOs) of pre-owned cars and their major objectives are trust, transparency and peace of mind for its customers. First Choice is an initiative of Mahindra and Mahindra, HDFC Bank and Sah & Sanghi Venture. For “*First Choice*”, the pre-owned car business is a new business opportunity, and it would give it the first-mover advantage in the industry. At present, First Choice operates only through six pre-owned car outlets owned by the company and the others are franchisees. First Choice comprises of over 100 cars on display ranging from brands like Maruti 800 to Mercedes. Across India, First Choice operates through two superstores and 105 dealer stores through the franchisee route. First Choice plans to open over 300 outlets by March 2012, with 27 superstores across India. First Choice has been very successful in capturing a higher market share in Ahmedabad region, as compared to other cities in India.

✿ **Toyota-U-Trust** : Toyota Kirloskar Motors in Bengaluru entered the pre-owned car business through its franchised new car dealers - Nandi Toyota by acquiring its used car outlet brand “*Popular Automatch*”, now called “*Toyota-U-Trust*” launched in October 2007 at leading dealerships across the country. Initially, they opened their used car outlets in Delhi, Bengaluru and Chennai, and operated through their new car dealers. Profit earned through used car sales is shared by Toyota Kirloskar Motors, and the used-car dealers based on their agreement. In this venture, their main strategy is to earn profits through their multi-brand outlets, and at the same time, attract the customers of Maruti Suzuki and TATA Motors to buy Hyundai brand of cars.

✿ **Ford Assured** is an initiative in Bengaluru in collaboration by Ford Motors and Metro Ford (franchised new car dealer of Ford Motors), but now, it is independently managed by Metro Ford without any contribution or profit sharing with Ford Motors. Therefore, now, used car marketing under “*Ford Assured*” is completely at the dealer's initiative in Bengaluru.

✿ **Auto Terrace From Honda SIEL Cars Limited** focuses only on its pre-owned cars, and their major objective of dealing with pre-owned cars is to exchange these cars to upgrade to mid-size luxury cars of Honda Brands. They will dispose pre-owned cars acquired through exchange with the unorganized pre-owned car dealers. The “*Auto Terrace*”, with 23 outlets across India is run along with its new car dealer's outlets. Their strategy is to attract customers of other brands of small and mid sized cars. Their intension to make profit out of pre-owned car business is secondary.

✿ **Chevrolet-OK** is a new venture of General Motors, which deals with pre-owned cars. It was inaugurated in the year 2009. General Motors Chevrolet-OK car network was rolled out in a phased manner nationally to sell and buy pre-owned cars. It has nine outlets operational across six cities, with three outlets in Delhi and NCR, two in Mumbai, and one in Pune. Chevrolet-OK outlets pre-owned cars go through a strict 110 point vehicle preconditioning program by trained engineers. Chevrolet-OK pre-owned cars are sold with a one year or 15000 kilometers limited warranty. It is a competitive strategy to make their presence felt in the pre-owned car business, as majority of the car makers are benefited from this venture. GM wanted to make a profit out of the pre-owned car business, and at the same time, enhance sales of its own new car brands through this venture. Chevrolet-OK initiative provides an opportunity for additional revenue to GM India's new car dealers across India. GM India is rapidly growing its network of Chevrolet dealerships and service centers, which includes 170 authorized sales points and 177 service outlets. These outlets in the future would be utilized for Chevrolet-OK pre-owned car outlets expansion across India.

✿ **Hyundai Motors Company (HMIL)** tied up with Automart for its new car exchange business before entering the pre-owned car business. The HMIL's network, which deals with pre-owned cars is branded as “*Hyundai Advantage*” multi-brand outlet launched in 2006. At present, Hyundai Advantage has 69 dealers across 49 locations across India. By the end of 2010, it was planning to set up 200 operational dealers in India. Hyundai even entered into arrangements with leading corporate houses, which dispose of their used vehicles in bulk like Wipro in Bengaluru.

✿ **TATA Motors** is India's market leader in commercial vehicles, and is among the top three in passenger vehicles, with revenue of more than \$9 billion. It has also has strategic alliance with Fiat. TATA Motors entered into the pre-owned car market under the brand name of “*TATA Motors Assured*” and launched it on a pilot basis through 15 dealers in Mumbai, Delhi, Bengaluru, Hyderabad, Chennai, Pune, Ahmedabad, Chandigarh, Lothian and Vapi. TATA Motors Assured (TMA) operations of pre-owned car business is a part of the company's integral operations and, therefore, no division or subsidiary was created specifically for it. The used car network is expected to be run through Tata Motors new car dealership network. TMA caters to customers willing to exchange their existing cars for new TATA brand of cars, and also deals with other car makers brands of certified used cars, which comes with one year or 20000 km extended warranty for cars that are less than five years old.

Other than the major car makers, few major corporate houses in India entered into the used car market to exploit the opportunities provided by the booming used car business. *The major corporate houses who entered in the pre-owned car business in India are as follows:*

✿ **Reliance Auto-Zone** : Mukesh Ambani led Reliance Retail Limited; a 100 percent subsidiary of Reliance Industries Limited started rolling out Reliance AutoZone in Gurgaon, Ghaziabad, Jamnagar, Jaipur, Hyderabad and Bengaluru. The first Auto-Zone opened near Reliance Industry's refinery in Jamnagar, Gujarat. Reliance is expected to open about 400 Auto-Zones by 2012. When the Indian Auto Sector is booming, Reliance has once again found the pulse to follow this industry. Reliance has entered into the Used Car market with their Reliance Auto-Zone brand name. Auto-Zones sell auto accessories, acts as a service centre for two wheelers and cars, and also deals in buying and selling of pre-owned cars.

✿ **My TVS** : The TVS Group has entered into the Used Car Market with its brand named “*My TVS*”, which was launched in Tamil Nadu in 2003, and it provides Multi-Brand independent After-Market Integrated Service Solution for car customers. At present, My TVS branches are spread across Tamil Nadu, Kerala, Andhra Pradesh and a few parts of Karnataka, especially Bengaluru. They have over 350 services centers, including 24x7 Emergency Service tie up with Hindustan Petroleum, and sells over 4000 pre-owned cars per annum. Their major integrated services include Car Insurance, Accident Claims Coordination, Used Car Finance and Car overdraft. My TVS has tied up with Oriental Insurance Company for Emergency Roadside Assistance to passenger car policy holders.

✿ **Auto1 Motors** is a part of a group of companies having head quarters in the Middle East and is operating in more than 11 countries, with employee strength of more than 1500 people across the globe. India's first exclusive pre-owned car showroom of Auto 1 Motors opened in Bengaluru, which deals with multibrand certified used cars and multibrand car service centre.

## DISCUSSION

✿ **Customer Reach** is the key for every car maker, who wants to be accessible to customers wherever they get an opportunity to convert this interaction into a sale. Therefore, the pre-owned car market provides a marketing opportunity to reach the customers who are either going for entry level buying or exchanging their old cars for upgrading. At this critical juncture, if any car maker is not able to reach the customer, they may lose their existing customers or potential customers. Therefore, most of the car makers entered into the pre-owned car business. Even Maruti Suzuki and Hyundai Motors India started their own driving schools as a Corporate Social Responsibility initiative. Maruti Driving School (MDS) started from Bengaluru in 2005, and at present, there are 51 MDS in 45 locations across India. MDS has trained 52000 people so far, of which 50 percent were women. Hyundai Motor India Foundation set up its driving school within the factory premises for economically backward youth in villages around the factory. Through this initiative, car makers can also promote their brands through word-of-mouth from trainees, and these training schools can be provided for general population across India to promote driving in general, which may lead to demand for cars. It is found that most customers prefer those brands of cars which they have used during training for car driving. Pre-owned car business in general helps all the new car brands of all the car manufacturers either directly or indirectly. Therefore, new cars and pre-owned car business growth has a very good future for both the markets, and it helps each other's market i.e. demand for new cars and used cars.

✿ **Long Term Growth:** The pre-owned car business is going to emerge as the next sunshine sector in the Indian Auto mobile Sector. More urban families are looking at the option of dual vehicles, as both the spouses are working. It may lead to demand for more used cars, especially in the urban market. A lot of demand surge from semi urban and small towns for pre-owned cars is expected as per experts in the industry. Currently, pre-owned car market is estimated to be around 1.6 million units. In developed countries like the USA, France and Germany, pre-owned cars market is 2.6 times more than the new car market. India is heading towards the same direction in the next two to three years.

✿ **Major Challenges** for organized pre-owned car dealers of car makers is dominance of the unorganized sector. A study by car manufacturers indicates that very few Indian buyers pay an expert to evaluate the vehicle and most rely on personal mechanics and friends. This study points out that word-of-mouth publicity, advertisement and used car brokers are key sources that decide brand and prices of used cars. In the Indian pre-owned car market, different car makers have followed different marketing strategies in different geographical locations, based on their own objectives, and capability of their new car dealers and competition in that regional market. *Pricing* a pre-owned car is the biggest challenge for the organized sector, as they will follow the price for a specific period like monthly pricing strategy. Whereas, prices of pre-owned cars fluctuate every day in general. Unorganized dealers can adjust their prices, whereas, organized dealers may not be able to increase or decrease prices regularly. Cost incurred by car makers', used-car dealers towards car inventory, engineers, rents for outlets and warranty are very high as compared to the unorganized players in the business. Therefore, the prices of pre-owned cars of organized pre-owned car dealers is generally 10 percent to 25 percent high. This is due to disposal of cars hypothecated to banks by real estate developers and many MNCs. Pre-owned car business is a risky venture for car makers and organized sector in general, as few outlets of My TVS and Auto One have been shut down as they were not able to compete with the pre-owned car dealers and brokers in the unorganized sector. Therefore, the best strategy for car makers is to build collaboration between organized and unorganized pre-owned car market for sourcing, selling, exchange of cars to make this booming industry healthy, profitable and growth oriented. Car makers can mobilize these pre-owned car dealers to increase their market share of new cars through their influence, reference and exchange.

## CONCLUSION

The pre-owned car market may be transformed into a more organized market with the advent of Indian and global car makers and other major corporate houses of India. Auto majors not only increase their market penetration through the pre-owned car business, but also make a profit out of this venture. Unorganized pre-owned car dealers are trying to match the service standards of organized used-car dealers to become more professional in their marketing approach. The general consensus among the industry is that the pre-owned car segment may become almost double of the new car market in another five years as is the case in the developed countries. Bengaluru and Hyderabad have a great potential, as compared to the other cities under study. The IT boom, the cosmopolitan outlook, more job opportunities, more disposable income, easy finance facility for pre-owned cars, and availability of different models in the market at



reasonable prices, are the factors that have made Bengaluru and Hyderabad to become a hub for the pre-owned car market. It is estimated that every month, 3,000 to 4,000 used cars change hands in Bengaluru alone, which is almost as many or more than the sale of new cars in the city.

## SCOPE FOR FURTHER RESEARCH

A similar study can be carried out in different countries to know the market potential of pre-owned cars. A study can also be conducted to know the perception of pre-owned cars by the customers in comparison to new cars. Researchers can also work on threats and opportunities of pre-owned cars for marketing of new cars. They can also explore on how pre-owned cars are competing with new cars in the automobile sector of respective countries.

## REFERENCES

- 1) Ammar Master "Used Car Business Getting Tougher for Small Players" December 31, 2007; accessed on August 12, 2010 [www.Livemint.com/2007/12/.../used-car-business-getting-tough.html](http://www.Livemint.com/2007/12/.../used-car-business-getting-tough.html)
- 2) Hyundai car Outlets in Bangalore, accessed on September, 23 2010 <http://www.gaadi.com/cars/blog>
- 3) Indian Auto Mobile Industry Review, Federation All India Automobile Spare Parts Dealers Association' accessed on August 12, 2010 [www.faiaspda.com](http://www.faiaspda.com)
- 4) Indian Automobile Industry Review, accessed on August 02, 2010 [www.siamindia.com](http://www.siamindia.com)
- 5) Mahindra First Choice Used Car Outlets, accessed on June 12, 2010 [www.mahindrafirstchoice.com](http://www.mahindrafirstchoice.com)
- 6) Maruti Launched Used Car Business in Gujarat, October 14, 2004, *Business Line*, accessed on August 10 2010 <http://www.thehindubusinessline.in/2004/10/15/stories>.
- 7) Maruti True Value Used Car Outlets, accessed on August 10, 2010 [www.marutitruevalue.com](http://www.marutitruevalue.com)
- 8) MyTvs Used Car Outlets, accessed on August 02, 2010 [www.mytvs.in](http://www.mytvs.in)
- 9) Reference to Four Key Markets: US, Canada, France and Germany; 2007 Car Internet Research Program II and Capgemini; accessed on January 03, 2010 [www.at.capgemini.com](http://www.at.capgemini.com)
- 10) Sarita Verma, Sale of Used Cars Zip Past New Car Business, *Financial Express*, December 18, 2007.
- 11) Shelly Seth, FirstChoice eyes five percentage market shares by 2012, *Auto Monitor*, September 18, 2008.
- 12) Shveta Pathak "Used Car Business to Flourish" , *The Tribune*, April 2002. accessed on January 03, 2010. <http://www.tribuneindia.com/2002/20020408/biz.htm>
- 13) Siddhartha Srivastav, Luxury Car Makers Review up for India Sales, *The Business Times* , April 13, 2007.
- 14) Tata Motor Assured Used Car Marketing Strategy, accessed on August 12, 2010 [www.tatamotors.com/our-world/press-release](http://www.tatamotors.com/our-world/press-release)
- 15) Tata Motors enters into pre-owned car market, accessed on September 09, 2010 [www.livemint.com/2009/01/Tata-Motors-enters-pre-owned-car](http://www.livemint.com/2009/01/Tata-Motors-enters-pre-owned-car)
- 16) TATA Motors may drive into Used Car Market, *Business Standard*, April, 07 2008.
- 17) Toyota Rolls Out Used Car Business in Delhi, *The Economic Times*, Feb. 03 2008.
- 18) Used car dealers in India, accessed on August 12, 2010 [www.nadaguides.com/usedcars](http://www.nadaguides.com/usedcars)
- 19) Used car dealers make good surplus space, accessed on January 03, 2010 [livemint.com/2008/03/.../usedcar-dealers-make-good-use.html](http://livemint.com/2008/03/.../usedcar-dealers-make-good-use.html)