

Pre-owned car market grows with dip in demand for entry-level ones

VALUE FOR MONEY. Better features, competitive price drawing more buyers to used cars

Aroosa Ahmed
Mumbai

With rapidly changing customer preferences, easy availability of pre-owned vehicles and finances, entry-level new cars are witnessing a dip in demand. The pre-owned car market volume is expected to grow by 16 per cent CAGR while the entry-level new vehicles are expected to grow by 7 per cent.

A 110 per cent surge in used-car sales was witnessed from tier-2 cities, according to a DriveTime Quarterly Report for Q2 2024 by CARS24. Cities like Agra, Coimbatore, Nagpur, and Vadodara witnessed significant growth in sales during the second quarter, with a 25 per cent increase in sales on average per city, respectively.

"With used cars offering features that match those available in entry-level new cars and at a competitive price, the consumer preference for second-hand vehicles becomes clear. Buyers are beginning to under-



CHANGING PREFERENCES. A 110 per cent surge in used-car sales was seen in tier-2 cities in Q2, according to a report

stand that they can acquire more in their budget with a pre-owned vehicle with better features and reliability at a lower price, than some new models. The used car market is changing the dynamics of the way of doing business.

MARKET SIZE

While today it is a \$25 billion industry, over the next decade it will witness a growth at 15 per cent CAGR, reaching \$100 billion. Better financing options, organized retail, and increasing consumer trust in pre-owned cars fuel this growth.

"It's no longer just about

affordability; it's about getting quality, advanced technology, and better value. Moreover, this shift is visible in Tier-II and -III cities also, where we expect used car sales to increase from 55 per cent to almost 70 per cent by 2025. The trend reflects that people try to buy decent cars for reasonable money, and they find such cars in the second-hand car market.

The rise of the pre-owned car market is not a trend but a shift in the way people define car ownership. Entry-level new cars will have to fight harder for a share of the pie as more buyers are con-

vinced that a better deal awaits in the used car market," Gajendra Jangid, Co-Founder & CMO of CARS24, told *businessline*.

KEY MODELS

According to a Spinny report on used cars, compact SUVs were the fastest-growing category, with 12 per cent growth over the last quarter while Honda returned to the top three preferred car brands with City and Amaze as key models along with Maruti Suzuki and Hyundai. However, experts have pointed out that the entry-level car segment will continue to hold capacity.

"Customer behaviour and expectations are changing at a rapid pace. The customer doesn't mind buying a pre-owned vs a small car as that gives him a better social standing as well as gives him features that he may not receive in a new entry-level car," said Hemal Thakkar, Senior Practice Leader and Director of consulting, at CRISIL Market Intelligence & Analytics.