

## Maruti Suzuki, Mahindra, Hyundai, Honda were the most popular car brands during the lockdown

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**"Bharat" in driver's seat as demand for pre-owned automobiles recovers, reveals OLX Auto Note 4th Edition**

**56% of the respondents planning to buy a car (new and preowned) in the next 3-6 months indicating a revival for the industry**

**Supply continues to be 10% lower in July vs Feb while demand is 25% higher vs pre-COVID restrictions**

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OLX's 4th edition of the Auto Note - pre-owned car industry's most comprehensive knowledge repository - reveals that the pre-owned car market has seen steady recovery and growth in the period between April - July. As per the report, the demand for pre-owned cars has surged by ~ 25% in July vs Feb led especially by the sedan category, SUV and hatchback category where demand and supply in July have soared. It further cites that 55% of respondents plan to use a personal vehicle in the next 6 months, and Bharat i.e. non-metro India, is a key driver in this revival in demand. The spurt in demand for pre-owned personal vehicles is not only owing to hygiene concerns but also due to reduced budgets for buying a personal vehicle. As per industry data, the pre-owned car market outnumbers the new car market by 30% in volume.

In order to understand the impact of COVID-19 on the Indian automobile industry in general, and the pre-owned car industry in particular, OLX and OLX CashMyCar conducted a study with over 3,800 respondents between April - June 2020, and also analysed indicators from over 450,000 monthly average buyers+ sellers on the OLX platform over the same period. The insights from the combined assessment are discussed in detail in the OLX Auto Note Study 4 COVID Edition. The highlights are mentioned below:

On the road to recovery: With 56% of the respondents planning to buy a car in the next 3-6 months, the automobile industry is expected to witness green shoots of recovery. 54% of these plan to buy a pre-

owned car in the next 3-6 months, indicating that the pre-owned category will see faster recovery in terms of demand. However, their preference is likely to veer towards entry-level models as 72% of respondents have reduced their car-buying budget due to COVID-19. For new cars, 39% of buyers have a budget under INR 3 lakhs, with another 24% having a budget between INR 4 and 7 lakhs. For a pre-owned car, 50% of buyers have a budget under INR 3 lakhs while 20% have a budget between INR 4 and 7 lakhs.

**Bharat powering demand and supply of pre-owned cars:** Of all the respondents keen to buy a car in non-metro towns, 70% of them are interested in pre-owned cars and only 30% are interested in a new car. The narrative flips for metro towns, wherein 70% of the respondents are more likely to opt for a new car.

**Bharat revs in style:** Non-metros are revving up both demand and supply for luxury cars and catching up to their metro counterparts as well. Non-metros and metros between Jan-June listed 49% and 51% of luxury cars on OLX respectively. In terms of demand, between Jan-June non-metros and metros generated 45% and 55% of the demand respectively. OLX estimates that non-metros are expected to surpass metros in demand and supply for the full year by the end of 2020. The key factor for this is non-metros have seen the lesser impact of COVID vs metros which led to fewer lockdown restrictions and rural economy is improving as well.

**Budgets are dented:** 72% of people surveyed across Metros and Non-Metros shared that COVID-19 has dented their budgets to buy a car. Across Metros and Non-Metros, 50% of respondents have a budget of lower than 3 lakhs for a car.

**Preference for personal transport options increases:** Owing to hygiene concerns and to avoid exposure to fellow passengers, 55% of respondents intend to commute in a personal car in the future vs pre-COVID (48%). Preference for public transport including cabs is on the decline.

**Non-millennials are key contributors to value in the coming months for the pre-owned automobile industry:** 58% of millennials (between the ages of 21-37) plan to buy a car in the next 6 months, while 50% non-millennials (37+ years old) plan to do the same. Interestingly, 63% of these non-millennials plan to buy a pre-owned car in the next 6 months, and only 37% plan to buy a new car. Among millennials, the split is an even 50%-50%. Very likely, most millennials are first-time buyers of a car, whereas non-millennials already have a personal vehicle and want to have a second one. Owing to higher incomes, non-millennials also have larger budgets. Only 25% of non-millennials have a budget of fewer than 3 lakhs for a new car, compared to 43% among millennials.

**Existing car owners still plan to sell their cars:** 79% of those who intended to sell their cars pre-COVID, were still firm on that plan and 72% of the respondents plan to sell their cars as early as a month after respective lockdown restrictions in their cities are eased further. 62% of the sellers would prefer home inspection for getting their car evaluated and 51% of them are willing to pay for a home inspection as well if required.

**Renewed demand will enable dealers to liquidate their existing inventory:** OLX estimates that most dealers will migrate to online platforms to cater to the renewed interest by consumers as most dealers currently have 60%-80% of unsold inventory. A majority of pre-owned car dealers will guide customers through online platforms before customers decide to pay in-person visits for final closure. Larger dealerships will offer AMCs, and undertake home delivery of cars to adhere to safety regulations.

## Brand and segment trends on OLX

### Demand trends on OLX

Most searched-for models and brands during the lockdown are

Maruti Suzuki- Swift, Swift Dzire, 800, Alto and Wagon-R

Mahindra - Scorpio, Bolero

Honda - City

Toyota - Innova

Demand for Hatchback, sedan and SUV segments has gone up by 25%

Between Jan - June, Non-metros now generate 72% of demand for pre-owned cars on OLX vs 28% by metros.

### Supply trends on OLX

Top brands listed on OLX during the lockdown are

Maruti

Mahindra

Hyundai

Tata

Honda

Between Jan - June, Non-metros now comprise 73% of listings on OLX while metros comprise about 27%.

Supply of sedans posted the highest recovery of 90%, followed by hatchback with 88%, executive at 86%, and SUV at 72% in July.

Most popular models being listed for sale are Swift Dzire, Swift, Scorpio, Bolero, Alto, Innova, i10,i20

Talking about the future of the new and pre-owned automobile industry due to COVID-19, Sunny Kataria VP Auto, OLX India, said "While COVID-19 has been a black swan event for the automobile industry at large, we are starting to witness signs of improvement, especially in the pre-owned cars industry. Changing preferences, evolving customer needs and an entirely new set of rules for social interactions have given rise to demand in the non-metro cities. Non- metro cities now form a major chunk of buyers and sellers for our platform. He further added, "This spurt in demand, as can be gleaned from the study, is due to a mix of preference for a personal mobility vehicle owing to increased hygiene concerns, lack of availability of public transportation, otherwise limited shared mobility options and a revival/resilience of the rural economy."

Echoing similar concerns and talking about the offline business of the pre-owned cars including impact on dealerships, Amit Kumar, Business Head OLX CashMyCar said, "COVID-19 has been a stress test for the dealer community and the pre-owned car retail business overall. For pre-owned car dealers, the focus right now would be on liquidating their existing inventory, in order to meet their working capital requirements. I also expect more dealers to digitize their businesses in the months to come, to cater to the consumer demand which is shifting online. He further added, "At OLX CashMyCar, we are adhering strictly to the government guidelines related to workplace safety, security and sanitation. All of our 75 stores pan India are open currently for customers to visit as per the local regulations. Keeping the hygiene quotient in consideration, we have launched home inspection services across the country as well."

## Methodology

OLX and OLX CashMyCar conducted the study with over 3800 people in the month of May to determine the sentiment of automobile buyers and sellers across India for new as well as pre-owned cars. The respondents surveyed were from over 100 metro and non-metro cities across India and were either planning to buy a car or had brought a car online in the last 3 months.

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