

# RESIDUAL VALUE ANALYSIS OF LUXURY CAR SEGMENT

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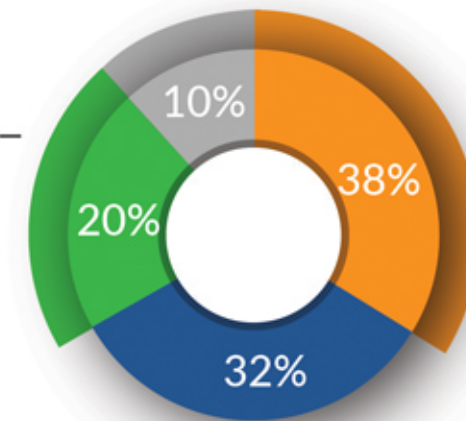


## LUXURY SEGMENT PENETRATION TRIVIAL BUT GROWING

New car market size lies at **2.8 Million**



3 OEMs dominate the luxury car market – Mercedes-Benz, Audi, BMW account for **90% share**



Mercedes-Benz Audi BMW Others



Luxury share of New car market – **1.3%**  
(**35,300 units sold in 2015**)

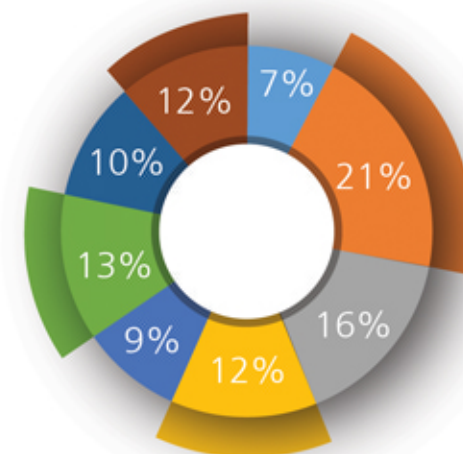
## ASPIRATIONAL ONLINE RESEARCHERS

**7% search of volume in the cloud, 1% of sales volume on the ground**

Our study indicates that while luxury vehicles account for little more than 1% of the actual monthly new cars sales; however, their share of searches on Google is close to 7%, indicating the aspirational nature of the online researcher



Vehicle searches on Google



Luxury Maruti Hyundai Tata Mahindra Honda Toyota Others

## DEMONETIZATION WILL HAVE ADVERSE SHORT-TERM IMPACT

The Impact of demonetization on the luxury car segment is adverse in the short term as cash forms a significant portion of the car transaction. The impact will be relatively greater for pre-owned luxury cars than for new ones

## CPO PROGRAMS AND SERVICE CENTERS KEY TO GROWTH

Make	CPO Program	No. of service centers (Pan-India)
Mercedes-Benz	✓	53
Audi	✓	39
BMW	✓	30



Enhancing dealer network  
beyond metros



Localization of parts



Greater access to finance  
for the consumer

## OTHER FACTORS FOR GROWTH –

## 3 POPULAR MODELS IN INDIA – A LOOK AT ON ROAD PRICES

MAKE	BMW	AUDI	MERCEDES-BENZ
Model	3 Series	A4	C-Class
Variant	320i Prestige	30 TFSI Premium Plus	C200 v
On road price (₹)	49,64,176	48,39,638	50,19,335
Cruise control	✗	✓	✓
Parking assist	✗	✓	✓
Sunroof	✗	✓	✓
GPS navigation system	✗	✗	✓
iPod compatibility	✗	✗	✓
Leather	✗	✓	✓
On road price - Normalized (₹)*	53,71,926	50,22,638	50,19,335

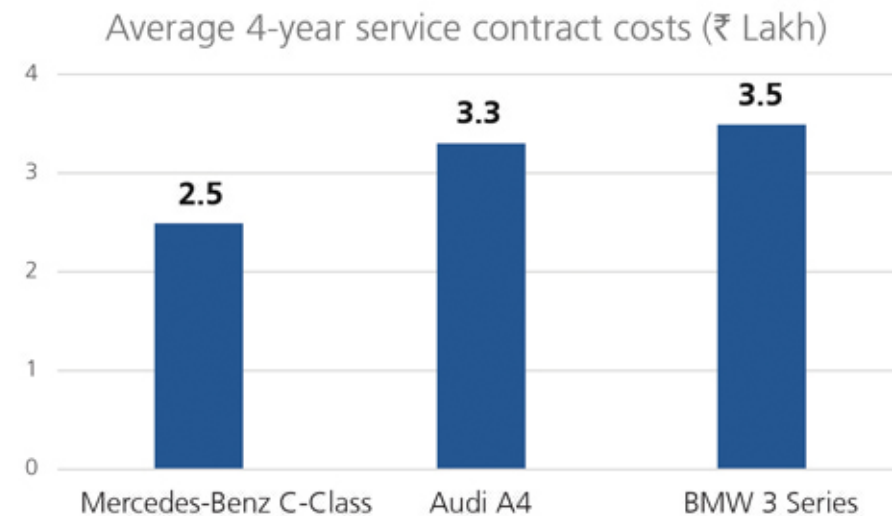
\*The 'normalized' price is the imputed price of a vehicle after adding the costs of the missing features to the on road car price for a like to like comparison. For example in the case above we have added the costs of features such as cruise control, parking assist, sunroof, GPS navigation system, iPod compatibility, and leather interiors.

- The Mercedes C-Class base model, unlike those of peers, packed with goodies, justifying higher on road price
- Normalizing for difference in key features, Mercedes-Benz still offers the best value to the luxury car buyer in India

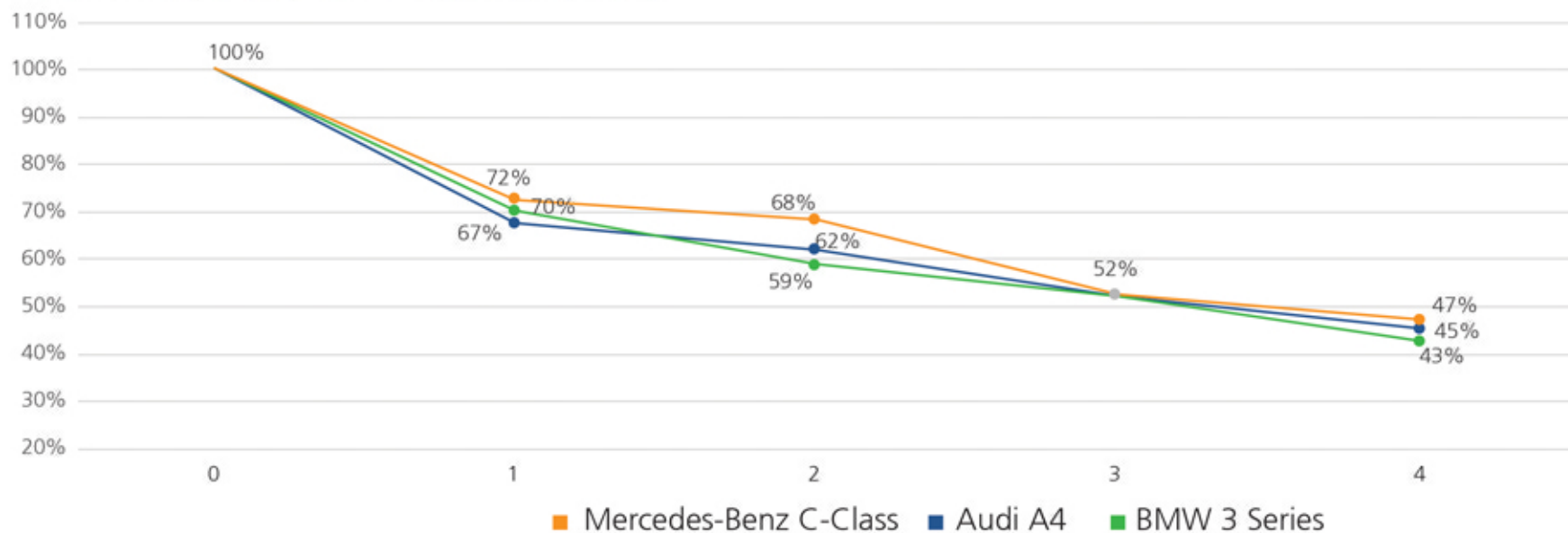
## MERCEDES-BENZ HAS LOWEST AVERAGE MAINTENANCE COSTS AMONGST PEERS

Mercedes-Benz service costs are **24%** and **29%** lower than those of Audi and BMW

Mercedes-Benz leads in JD Power Customer Service Index ranking in the luxury brands category in 2015



## RESIDUAL VALUE COMPARISON



Residual values for the 3 vehicles are similar, with Mercedes-Benz C-Class having an edge. Luxury vehicles tend to lose about 50% of their value in 3 years as compared to other segments like hatch backs or compact sedans for which the depreciation is slower and the vehicles reach 50% of their residual value in 4 years.

Localized activities and the densest dealer network among luxury car manufacturers provides the Mercedes-Benz C-Class with lower maintenance costs and therefore

**higher residual values relative to its peers**



## LEASING IN THE LUXURY SEGMENT

OEMs offer residual value guarantees on the ex showroom price of the vehicle

Therefore, they typically keep a **8 to 10% lower** residual value guarantee on their products

Make	Leasing Program
Mercedes-Benz	✓
Audi	✗
BMW	✓ (Diesel portfolio only)

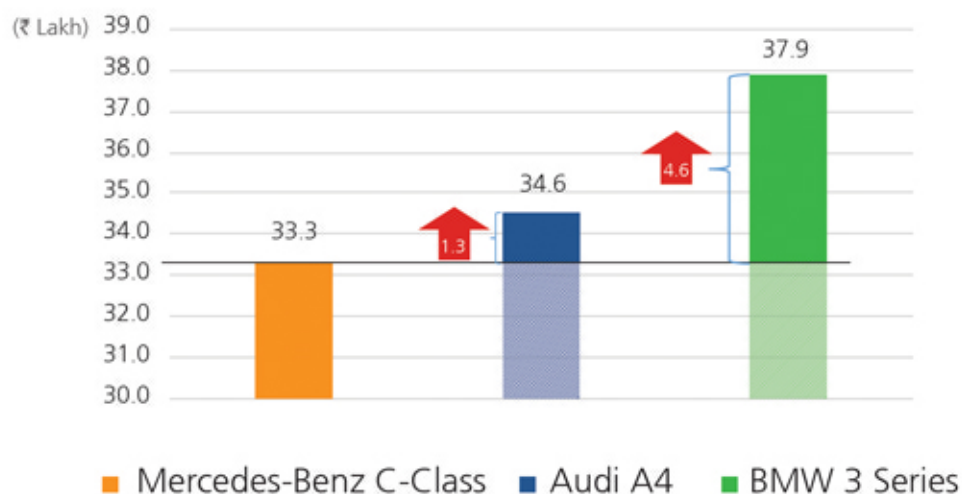
The terms offered by leasing companies provide for 3-year residual value guarantee of 50 to 52%, 4-year residual value guarantee of 42 to 43% and 5-year residual value guarantee of 35% on the ex-showroom price of vehicle. So OEMs typically keep a 8 to 10% lower residual value guarantee on their products.

Leasing eases the customers mind with respect to what the future residual value of a high premium car will be. When combined with a buy-back guarantee, leasing can offer a superior value proposition for customers. Thus, we feel that there is promising scope for growth in the leasing segment in the Indian Auto Industry.

## TOTAL COST OF OWNERSHIP (TCO)\* ANALYSIS

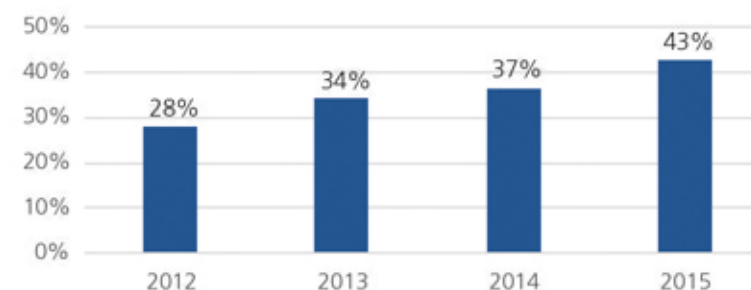
MAKE	BMW	AUDI	MERCEDES-BENZ
<b>Model</b>	<b>3 Series</b>	<b>A4</b>	<b>C-Class</b>
<b>Variant</b>	<b>320i Prestige</b>	<b>30 TFSI Premium Plus</b>	<b>C200 Avantgarde</b>
<b>On road price - Normalized (₹)</b>	<b>53,71,926</b>	<b>50,22,638</b>	<b>50,19,335</b>
Maintenance	3,50,000	3,30,000	2,50,000
Insurance	1,12,442	1,19,260	1,25,423
Fuel costs	2,46,848	2,43,666	2,94,912
Residual value	22,89,376	22,60,187	23,59,087
<b>TCO - 4 years (₹)</b>	<b>37,91,840</b>	<b>34,55,377</b>	<b>33,30,582</b>

Mercedes-Benz C-Class has the lowest TCO for a 4-year period



Mercedes-Benz is leading the luxury market in India, having achieved an increasing share of the market amongst its peers

Mercedes-Benz share (%) of top 3 luxury OEMs



**Lower cost of maintenance and lower cost of ownership has helped Mercedes increase its market share in India**

\*Mileage assumed at 15,000 kms/year

## ABOUT INDIANBLUEBOOK

IndianBlueBook (IBB) is the industry first pricing guide for new and pre-owned vehicle valuation in India. With exclusive access to a large number of car transactions that take place every day through different channels, IBB derives scientific and insightful inferences that lead to vehicle price discovery. Whether you're buying or selling a vehicle, IBB helps you discover its real worth. Through various transactions on different customer-facing and B2B channels, IBB's analytical engine logically deduces a pricing index which is then used to derive the benchmark market price of any vehicle. In essence, IBB is a one-of-a-kind valuation platform based on rigorous research and pure rationality. It is driven by the sheer passion to demystify the data points of a million transactions, thus ensuring that you never overpay or never undersell. IBB offers a wide array of tools such as Total Cost of Ownership (TCO) and residual value analysis, regularly updated reviews and insights via its blog, and a platform that enables its customers to buy and sell vehicles, thereby serving as a one-stop shop for customers looking to research vehicles.