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Digital and used cars: the unicorns that everyone is eying

Two billion dollars. This is the valuation that the Malaysian unicorn Carsome could reach after launching its dual listing on Nasdaq and the Singapore Stock Exchange. Figures that make the used car sector dream, which Carsome has made its specialty, based on a digital model. The list of competitors applying for listing is growing. So, flash in the pan, or future GAFAM of the automotive industry?

A real frenzy. After remaining on the sidelines of the used vehicle market for a long time, Asian countries seem to be catching up. The ratio of used to new car sales is still low: 1.5 to 1 in India, 0.7 to 1 in China. In mature markets, the ratio is 3 to 1. Several local companies have every intention of seizing this growth potential, in a segment that is still very fragmented. Their common point: to be structured around a digital platform model. Always offer more simplicity and above all guarantees to convince motorists to succumb to the occasion with complete confidence. Motorists seem to be sensitive to their arguments, so much so that the model has caught the attention of investors.

Capital Magnets

In India, used car sales platforms CARS24, CarDekho and Spinny raised more money last year than in the last 5 years combined. While the amounts are enough to turn heads, the quality of the investors is perhaps even more telling. CARS24 has no less than Softbank and Tencent as investors. As for the Singaporean Carro - which also has its eye on the Nasdaq - it has been financed by SoftBank Ventures Asia, Mitsubishi Corp and EDBI, the business investment arm of the Singapore Economic Development Board.

Inspiring success stories.

But is the model replicable outside Asia?

Some may remember the bitter failures of previous digital platforms dedicated to used cars.

Two years of existence for the American Beepi, which was valued at 500 million dollars a year before going out of business.

A valuation of €1.2 billion for the Chinese RenRenChe... finally sold for €1,000.

The Asian unicorns, however, could approach the next ten years with a different strategy than the past decade.

No question of flamboyant spending, the time has come to look for added value. The emphasis is on checking that the used vehicle is in good condition. A step that relies on technological tools and artificial intelligence. Another priority is to reassure the buyer, thanks to a system of certifications and labeling by independent experts.

And then there is the proposal of additional services. For this, the second-hand platforms have been able to join the services of fintech and insurtech, to offer ever more extensive dedicated financing and insurance solutions. Caarea, for example, is developing a mobility protection range dedicated to used vehicle distribution platforms. The goal: to reach both the platform and the buyer. The offer reassures the latter because it provides protection for his vehicle for 12 to 24 months following the purchase. And it allows the platform to develop additional margins by offering innovative optional insurance programs.

On closer inspection, it is perhaps not so much by copying the model of the Asian second-hand unicorns that it will be possible to take advantage of the market's growth, but rather by joining their ecosystem and forging partnerships. Because, like the American GAFAMs, these Asian unicorns have every intention of diversifying their offer and covering an ever-widening value chain around the used vehicle.



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