

Business Model

1.Margins in Selling Price

Overview: The margin in selling price is a percentage of the car's selling price that the platform earns. This margin reflects the profit the business makes on each car sold. By setting a 10% margin, the platform ensures that the margin is substantial enough to cover operational costs and provide a profit, while remaining reasonable to customers. This margin is justified by the added value of a legally certified car with a one-year warranty, which enhances customer trust and satisfaction.

2.Charges for Each Successful Transaction

Overview: The platform charges a 1% fee on each transaction (buying or selling) as a platform fee. This fee is a source of revenue and compensates the platform for facilitating transactions between buyers and sellers.

3.Inspection and Certification Fee

Overview: An inspection and certification fee is charged for each vehicle inspected and certified. The fee varies based on the car model and its features, reflecting the cost of specialized technicians and comprehensive inspections. A Nominal fee of 5000/- to 7000/- based on vehicle size and complexity is advised in our case

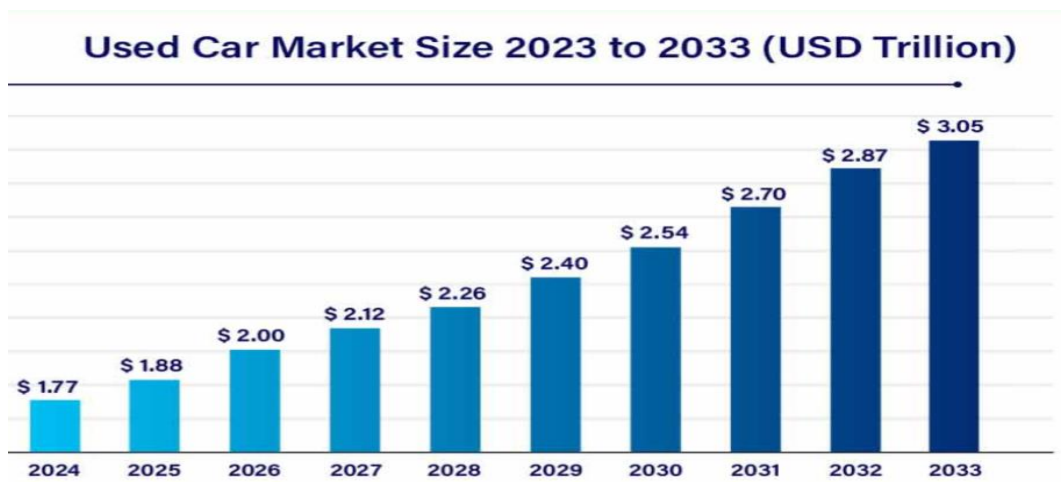
4.Margin on Repairs

Overview: A margin is applied to repair services provided to sellers, typically around 7%. This margin is a percentage of the total repair costs and reflects the platform's earnings from facilitating these repair services.

5.Additional 1-2 Year Warranty

Overview: Customers can purchase an extended warranty for an additional 1-2 years at a cost of RS 5000-10,000 per year based on car model and price. This warranty covers basic inspections and repairs, with any spare parts and accessories being an additional cost to the customer.

Financial Model



Above Model Indicates Forecast for Car Pre Owned Car Market in india

Financial Equation

Total Revenue per Car:

Total Revenue=(Selling Price×Margin Percentage)+(Selling Price×Transaction Fee Percentage)+Inspection Fee+(Repair Cost×Repair Margin Percentage)+Warranty Cost {Total Revenue Cost}

Total Cost per Car:

Total Cost=Certification Cost+Proportional Fixed Costs+Repair Cost

Gross Profit per Car:

Gross Profit=Total Revenue–Total Cost

Revenues

1.Margins in Selling Price

Overview: The platform earns a 10% margin on the selling price of each car. For a minimum car price of Rs 4,00,000, the margin is Rs 40,000.

2.Charges for Each Successful Transaction

Overview: The platform charges a 1% fee on each transaction. For a car priced at Rs 4,00,000, the transaction fee is Rs 4,000.

3.Inspection and Certification Fee

Overview: An inspection and certification fee ranges from Rs 5,000 to Rs 7,000 per car. An average fee of Rs 6,000 is used in calculations. Please note this fee is charged to the car seller for certifying and placing his car ad on the website.

4.Margin on Repairs

Overview: A 7% margin is applied to repair services. For a repair cost of Rs 20,000, the margin is Rs 1,400. This may not be applicable if the car is in extremely good condition and doesn't need maintenance.

Coming

Additional 1/2 Year Warranty

Overview: Customers can purchase an extended warranty for an additional 1-2 years at a cost of Rs 5,000 to Rs 10,000 per year. The average warranty cost is Rs 7,500.

Expenditure

- Certification Team Charges: Rs 4,000 per car
- Maintenance Cost: Borne by the customer
- Rent for Small Office: Rs 75,000 per month
- Admin and HR: Rs 35,000 per person per month (2 staff)
- Front Office cum Help Desk: Rs 25,000 per month
- ML Engineers: Rs 50,000 per person per month (2 engineers)
- Website Developer: Rs 40,000 per month
- Storage Space for Car and Service Station: Rs 1,00,000 per month (Reduce Inventory)
- Overheads and Expenses: Variable

Financial Summary

Total Revenue per Car

Let's assume a basic model of car and that after inspection, certification, and repairs, the total car price is estimated as Rs 4,00,000.

Total Revenue per Car (Please note this is assuming the best possible condition and varies from case to case based on customer preference and repair needs):

Total Revenue = Margin + Transaction Fee + Inspection Fee + Repair Margin + Warranty

Total Revenue = Rs 40,000 + Rs 4,000 + Rs 6,000 + Rs 1,400 + Rs 7,500

Total Revenue = Rs 58,900

Total Cost per Car

Total Cost = Certification Cost + Proportional Fixed Costs + Repair Cost(4000+6200+4000)

Proportional Fixed Costs = $3,10,000 / 50$ = Rs 6,200 **(Please note that we need to sell at least 50 cars to make this business model work where the average car price is Rs 4,00,000)**

Gross Profit per Car

Gross Profit = Total Revenue – Total Cost

Gross Profit = Rs 58,900 – Rs 14200

Gross Profit = Rs 44,700

Conclusion

The car selling platform's financial model demonstrates strong profitability through multiple revenue streams, including margins on selling prices, transaction fees, inspection fees, and extended warranties. With significant gross profit per vehicle, the platform is positioned for financial success, provided it effectively manages operational costs and addresses market demands. Strategic attention to efficiency, customer satisfaction, and competitive positioning will be essential for maintaining and enhancing profitability over the long term. However all parameters in equation are subjected to change based on City, Negotiation power, Demand, Market condition, rent, salaries etc and for each city needs a careful evaluation and selection for optimum results.