

Buzz

THE BIG IDEA

Carmic Connection

MotorExchange is an easily accessible online platform for buyers and sellers of cars.

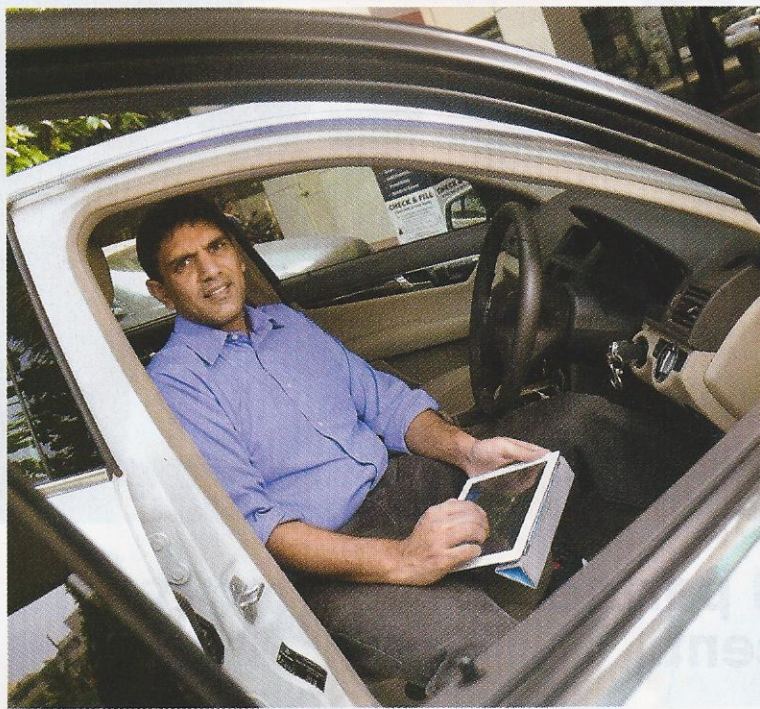
Patanjali Pahwa

Selling cars is in his blood. His grandfather did it, his father did it and now he does it, too. In 2000, Vinay Sanghi stumbled upon Manheim, the American website that established an index for used cars. It was very impressive. Conceived during the dotcom boom, Manheim survived when the bubble burst. Its hugely successful and unrivalled business model was what popular parlance calls 'iron'. No one else had attempted it. Finally, in August 2009, Sanghi did. He quit Mahindra First Choice, which he had founded, to start MotorExchange.in.

"There is no online space for people to sell vehicles," says the 43-year-old, who felt confident that he would land on his feet. "There is no single place for dealers to access inventory and this is why it



PHOTOGRAPHS BY SOUMIK KAR



[the business] works.” His plan was to replicate Manheim and convince enough dealers to buy into the concept. He invited Rajan Mehra, then the Country Manager for eBay Motors, to join his venture. Mehra had the expertise of running an e-commerce website, and Sanghi knew cars. All they needed was a product that would be lapped up by its target audience of dealers. “Getting dealers in was difficult,” Sanghi remembers. “Usually, dealers like to look at cars before they buy them.” Eventually, a few signed up, more followed.

MotorExchange was launched in January 2010 with 100 dealers registered on its website. It now has close to 1,200 dealers who buy and sell regularly via its platform. The excitement within this niche market has brought venture capital into the company, both on a return policy and as stakeholding. “Over five funds have invested in us,” says Sanghi. This enthusiasm is reflected in MotorExchange’s ambitious new targets—it aims to facilitate transactions worth ₹5,000 crore by 2014, which Sanghi believes can be quantified as a billion cars.

How It Works

It’s a simple business model—the website acts as a platform for buyers and sellers, like a stock exchange. Sellers can either be businesses or consumers. “Vehicles repossessed by banks, cars claimed by insurance companies, taxi fleet owners who want to dispose of a few cabs and dealers with surplus inventory are all our primary sellers,” says Sanghi.

Sellers approach MotorExchange via a text message, an email or a voice call, apart from register-

ing on the website. The seller is allotted a time at which an engineer visits him to inspect the vehicle. “The inspection report is strong,” Sanghi says. It contains all the details needed by buyers, including the number of kilometres travelled by the vehicle, its age, physical condition, and accident reports, if any. With all these factors in hand, MotorExchange sets a price and presents it to the seller. Once the seller approves it, the car is uploaded onto the system. All of this is done within 24 hours of the first call.

MotorExchange restricts buyers to used car dealers. Before placing a bid, each buyer has to deposit a ‘binding bid amount’ to be able to participate in the auction, which keeps only serious users on the website. If the bid fails, the amount can be transferred back to the dealer’s bank account. To both sides, MotorExchange charges a commission of 1.5-4%, depending on the number of vehicles being put up for sale. Sanghi encourages individual listings but charges them a higher commission.

Earlier, dealers preferred to buy cars from areas closer to their dealership, so they could look at the car and assess it but one of the key drivers at MotorExchange has been the enthusiasm with which dealers have been purchasing vehicles outside their geographical zone. “Over 25% of the sales are now inter-state,” says Sanghi triumphantly.

Dealers have taken to the website. “The cars I have purchased off the site have been from across the city and in exactly the same way mentioned on the forms,” says Umesh Vohra, Owner of Closed Bonnet, a Mumbai-based used-car dealership. Last month alone, Vohra bought close to 10 cars from the website, all for “very good prices.” “There are close to 7,000-8,000 sales per month,” Sanghi says.

The Handbrake

To realise its ambitions of selling a billion cars by 2014, the MotorExchange network will have to grow. It also means the number of engineers—who are essentially garage supervisors—will have to increase dramatically if the 24-hour turnaround target is to be maintained. Sanghi sees hiring more engineers as the only way out but it’s not an ideal alternative. “Engineers will be a problem,” he says. Even if mass hiring was feasible, where will he find enough garage supervisors to get out of overalls and into a suit? A solution isn’t in sight but that doesn’t seem to trouble Sanghi. He is confident he will not lose customers to competition simply because there is none. He seems to sum up MotorExchange’s advantage as well as challenge when he says, “No one has been able to replicate [the business model] because of the manpower needed.”

Email us at business@outlookindia.com or SMS OLB<feedback> at 575758 ■

AT A GLANCE

Number of dealers:
1,200

USP: A stock exchange for cars. It is the only online resource that bridges the gap between a used car dealer and their inventory.

FAQ: Are there any like them in India?

No, this is the only one of its kind in India. It is based on the website Manheim in the US.