

58汽车 J.D. POWER | 君迪  优信  
YUXIN GROUP

# China Vehicle Retention Value Report

Updated in March 2020



# China Vehicle Retention Value Report

01

Background

02

Used Vehicle  
Transaction Data

03

Retention Value  
Findings

04

Retention Rate Ranking

05

Conclusions

# Definition of Vehicle Retention Value

## Vehicle Retention Rate

1. It refers to the ratio of the transaction price\* to a new vehicle's Manufacturer Suggested Retail Price\* (MSRP) at purchase after a period of use from the date of purchase
2. It is an important index to measure the value depreciation speed of a vehicle
3. It is affected by multiple factors: Single vehicle (e.g. age/ mileage/ condition/ purpose), product (e.g. quality/ design/ features/ performance), brand (e.g. influence), new vehicle (e.g. price/ sales volume/ market share), used vehicle (e.g. market strategy/ supply-demand relationship), season, region, policy...

## Calculation Method

$$\text{Vehicle Retention Rate} = \frac{\text{Transaction Price}^*}{\text{MSRP of New Vehicle}^*} \times 100\%$$

## Sampling Period

Vehicle transaction data within the most recent year (March 2019 to February 2020)

\* Vehicle Transaction Price: Retail price (B2C) is adopted, excluding purchase price and wholesale price; the transaction price is based on good vehicle condition and an average annual mileage of 15,000 km.

\* MSRP of New Vehicle: MSRP of New Vehicle shall be adopted uniformly, excluding discount of manufacturer or dealer.

\* Sampling Period: Stably reflect the retention rate level in a recent period, such as yearly/quarterly.

# Joint Production

## Brand

- J.D. Power is a global leader in consumer insights, data, analytics, and advisory services and conducts world-class industry benchmarking studies.
- 58che.com and Uxin.com are the leaders of classified information platform and used vehicle trading platform in China.
- The retention rate ranking is jointly created by the three parties.

## Model

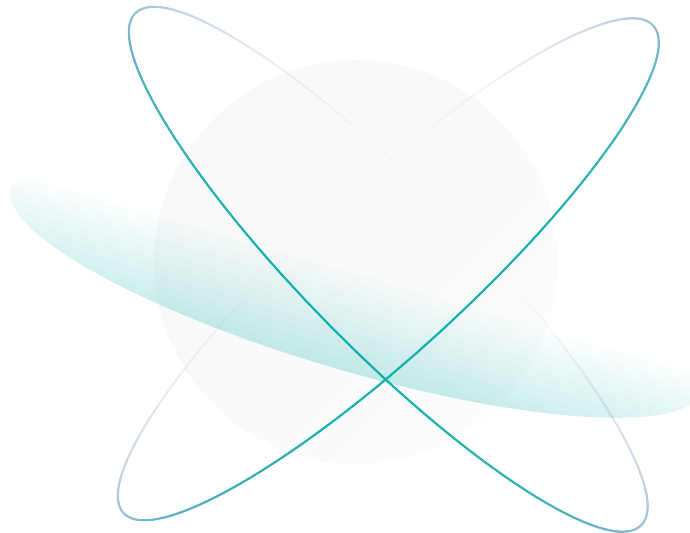
- Based on J.D. Power's mature retention rate model and evaluation and calculation system used for many years in the United States and verified by domestic localized data.
- The application of the retention rate model covers 100% of the franchised dealers in the United States, over 60% of the OEMs and auto finance companies, more than 95% of loan companies, the top 10 insurance companies and the top 2 leasing companies.

## Data

- 58che.com and Uxin.com are the largest used vehicle transaction/listing data platforms in China.
- In 2019, the listing data exceeded 10 million, market coverage > 60%; online transactions exceeded 600,000, and market coverage > 20%.
- First-hand and real POS listing and transaction data have higher reference significance to the industry and consumers.

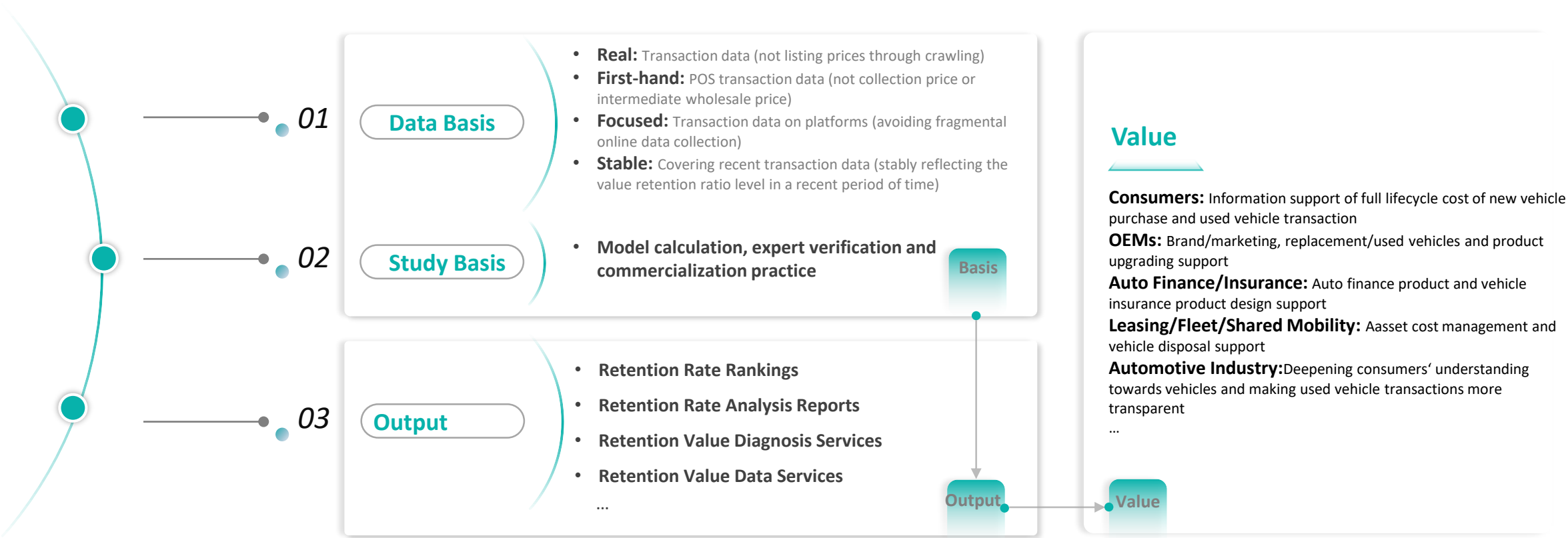
## Team

- Automotive industry expert team: Automotive industry experts, used vehicle evaluators and consulting team who have in-depth insight into new vehicle and used vehicle markets and causes of value retention ratio.
- Data analysis and modeling team: J.D. Power's global used vehicle business data team and China automotive industry data analysis and modeling team.

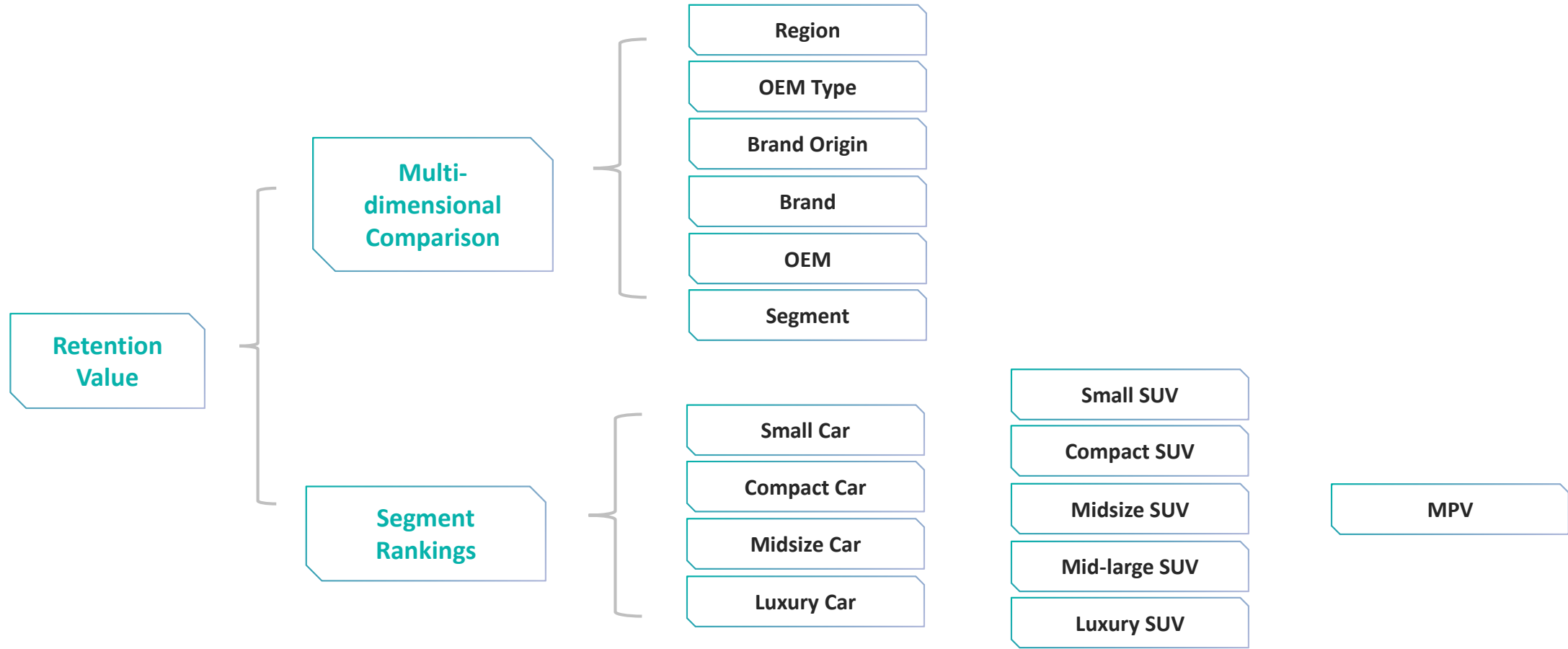


# Significance of Retention Value Study

How to make retention value more **referential**?



# Framework of Retention Value Study



# Review of 2019 Automotive Market – Key Words of 2019 China Automotive Market

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01

## China VI Vehicle Emission Standards

Some classic/old models have been forced to be changed or replaced, and technology upgrading has become a great test for vehicle manufacturers; at the same time, new vehicles have attracted much attention, and the residual value of old vehicles has declined; the cycle of new vehicle ordering has become longer; many vehicle manufacturers have to reduce prices and promote sales for the sake of inventory clearance, which affects value retention ratio.

02

## Proportion of Trading Up

According to the data of the National Information Center, from 2011 to 2019, the proportion of trading up in China continued to increase, to 46.0% in 2019. In China's existing automotive market, it is urgent for automotive manufacturers to strengthen management of the entire automobile life cycle.

03

## New Energy Vehicle Manufacturers' Residual Value Management

The used new energy vehicle (NEV) market is in a downturn due to the lack of testing standards, the acceleration of battery technology iteration and the insufficient warranty period and other factors. The residual value management of new energy vehicles led by manufacturers will play a positive role in the market sales and brand building of new vehicles and used vehicles.

04

## Used Vehicles Export

The implementation of the used vehicle export policy will help to reduce the pressure of domestic vehicle population and the domestic market, while invigorating the circulation of used vehicles, improving the speed of vehicle replacement, so as to expand the new vehicle consumption market and stimulate related demands in the domestic market.

05

## New Vehicle Sales

According to the data of China Association of Automobile Manufacturers (CAAM), the sales volume in 2019 dropped by 8.2% year-on-year, and nearly 70% of the manufacturers saw their sales fall. However, the sales volume of the top 5 manufacturers in value retention ratio represented by FAW Toyota and Beijing Benz all rose against the trend, and the value retention ratio has become an important selling point of new vehicle sales.

06

## Passat Crash Test

The lowest crash test score in the history of CIRI Auto Test Institute has damaged the brand image to a certain extent, and will have a certain negative impact on the sales volume of new vehicles and the value retention ratio.

# Market Analysis of February



*Pandemic prevention and control is still the main KPI. The automotive industry gradually recovers.*

## Pandemic Prevention and Control

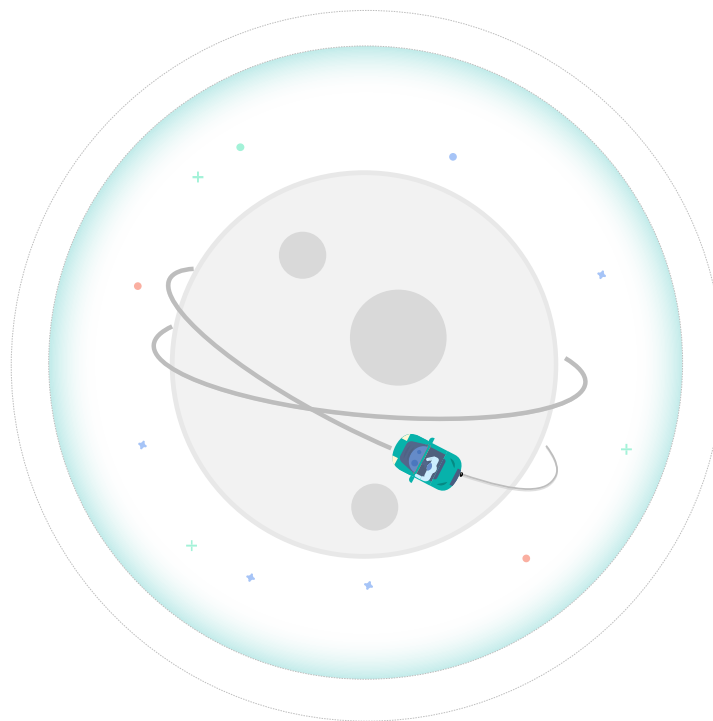
- There's periodic victory in the fight against the pandemic but the pandemic prevention and control is still the main KPI.

## New Vehicle Market

- to the National Passenger Car Information Exchange Association, the sales volume of new cars in February fell by nearly 80% year-on-year.

## Used Vehicle Market

- Affected by the pandemic, the off-season of used vehicles has been prolonged. According to China Automobile Dealers Association (CADA), the transaction volume in February fell by more than 90% year-on-year.



## Auto Show/CES

- China's largest auto show in Beijing was postponed, while Geneva Auto Show (one of four largest international auto shows) and Asia consumer electronics show were cancelled.

## OEMs

- OEMs are gradually back to work, which do their marketing online, and new services such as VR car viewing and live car viewing are launched.

## Used vehicle e-Commerce

- Used vehicle e-commerce platforms need to upgrade their services to adapt to the new trend of online car viewing.



# China Vehicle Retention Value Report

01

Background

02

Used Vehicle  
Transaction Data

03

Retention Value  
Findings

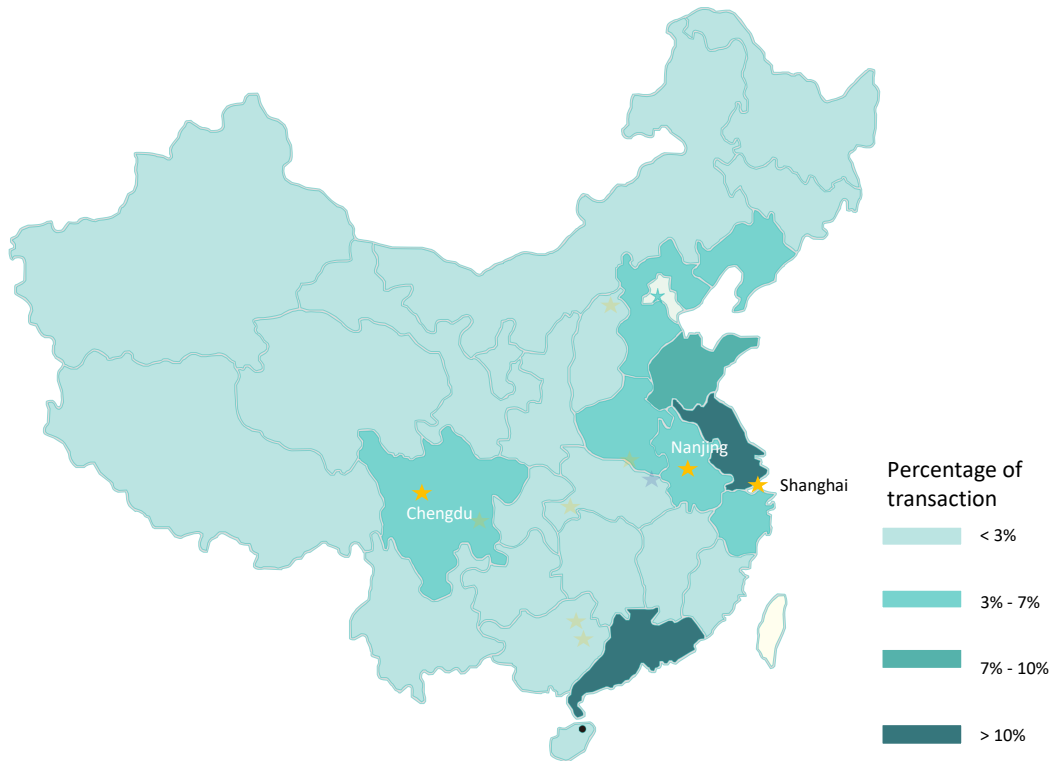
04

Retention Rate Ranking

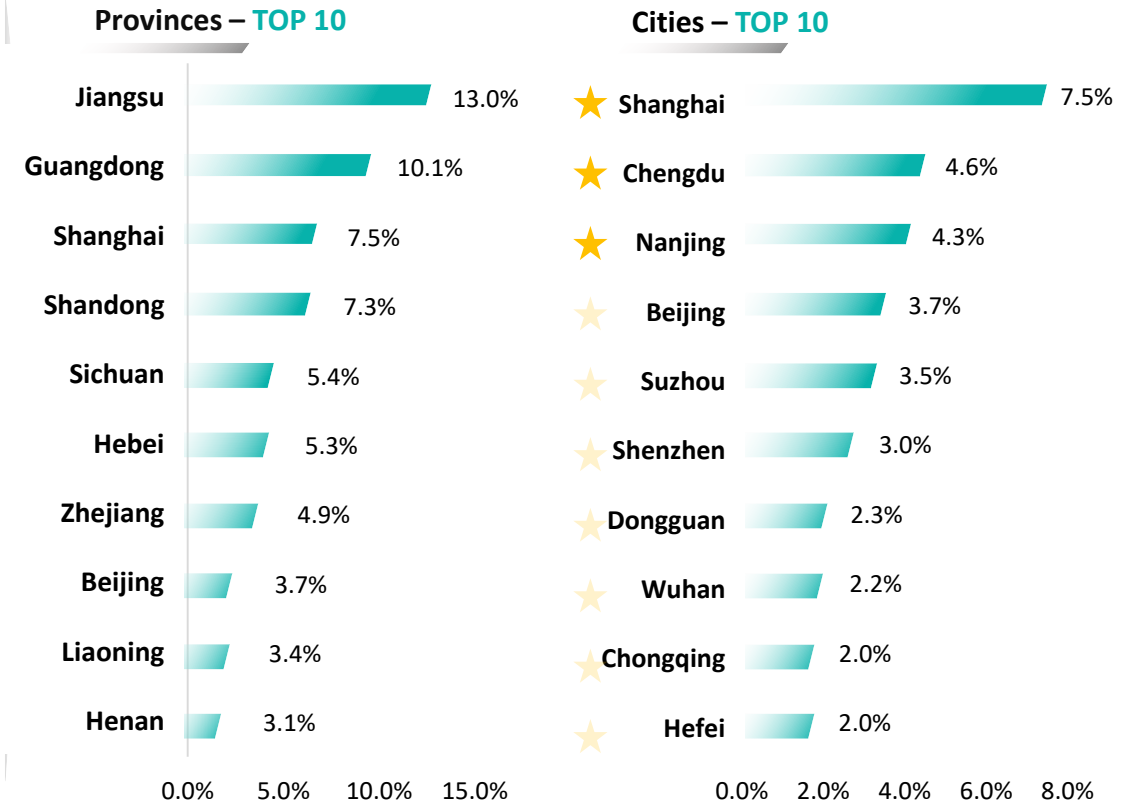
05

Conclusions

# Used Vehicle Transaction Nationwide – Regional



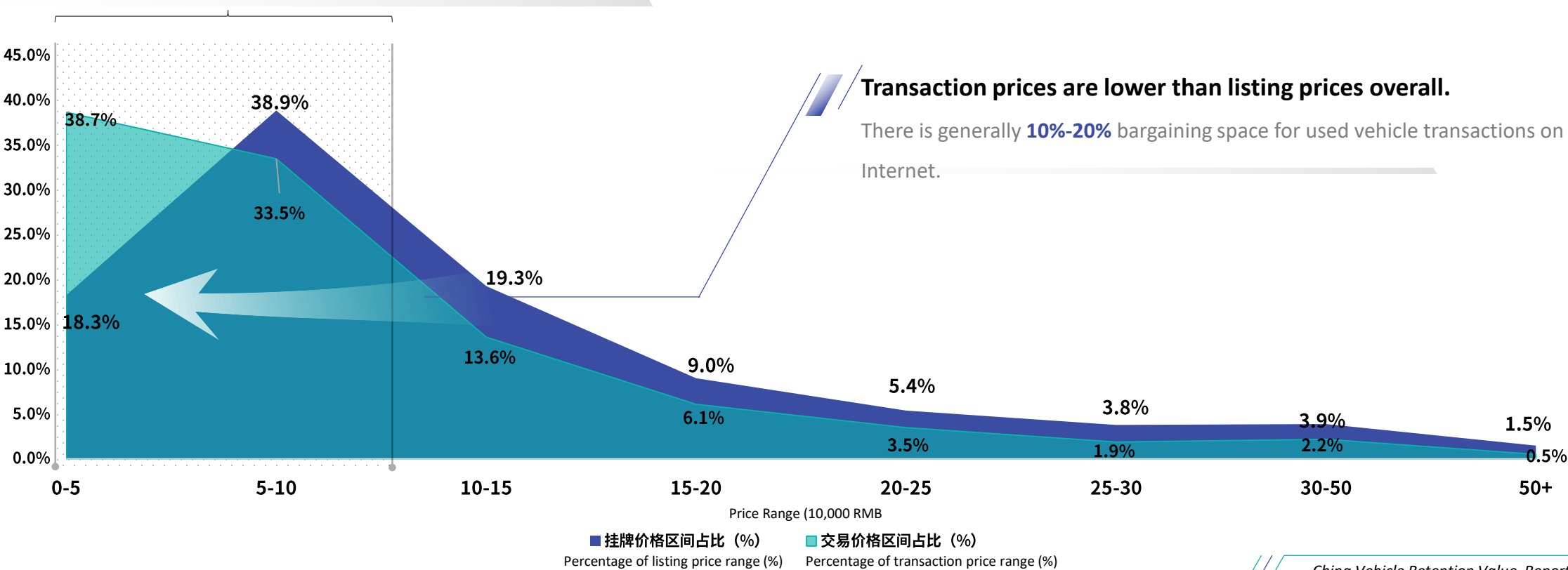
Note: The sample statistics doesn't include Hong Kong, Macao and Taiwan of China.



# Used Vehicle Transaction – Comparison of Listing Data and Transaction Data

Percentages of Listing and Transaction Price Ranges

Within 100,000 RMB takes up the highest percentage among different transaction price ranges.  
The total percentage exceeds 70%. It can be seen that used vehicles with good quality and low price are more popular.

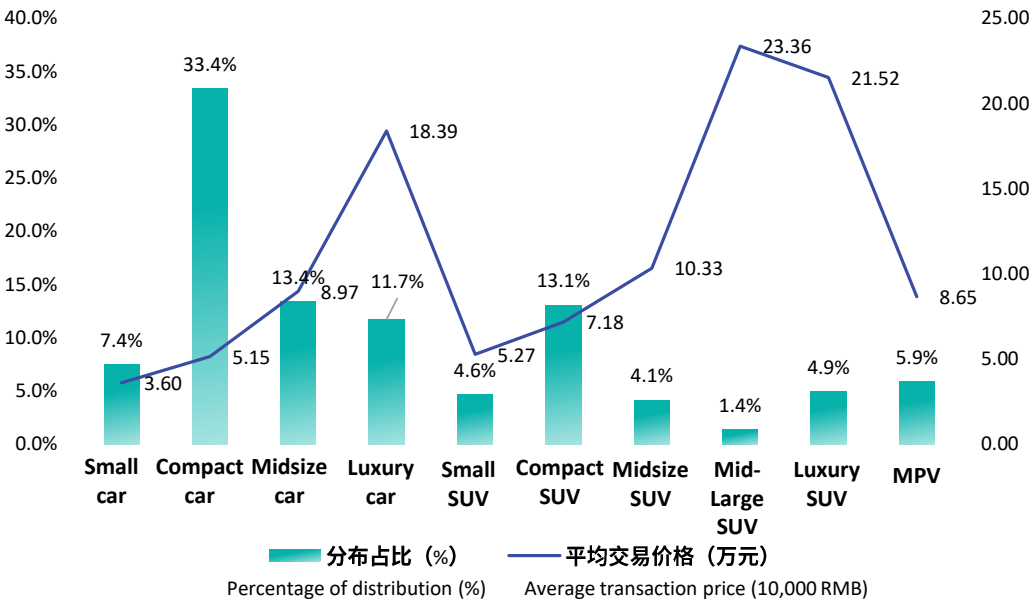


# Used Vehicle Transaction – Segment and Top 10 Models

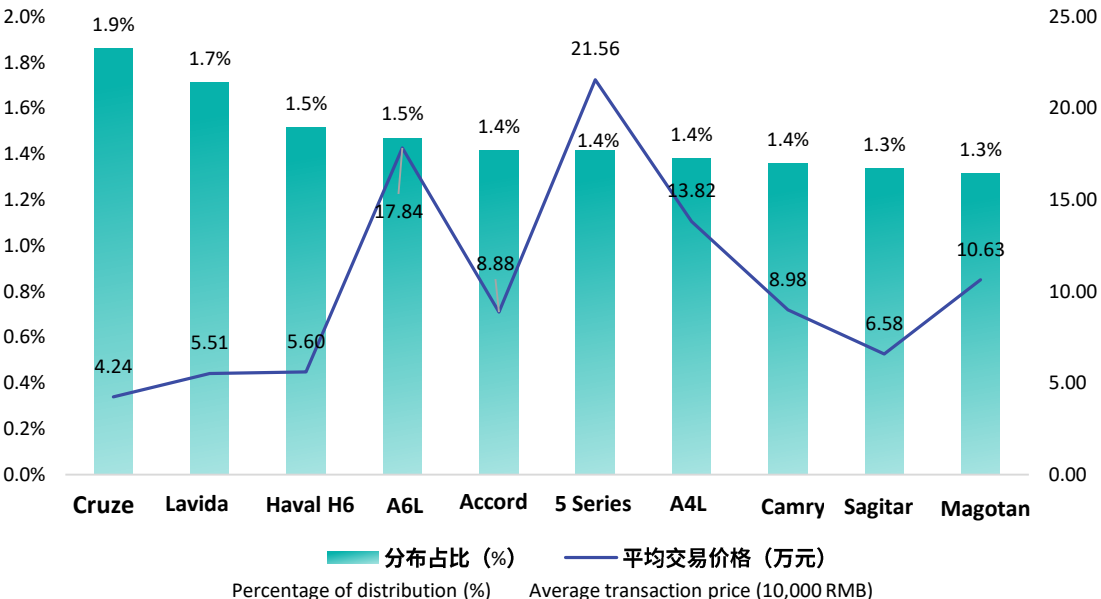
- Compact cars and Compact SUVs account for the highest proportion in their respective segment, over 30% and 13% respectively. Economical models are most popular.

- Although Cruze has withdrawn from the new car market, it is still popular in the used vehicle market.
- Haval H6 has become the only domestic brand model on the list.

Segment Distribution



Transactions – Top 10 Models

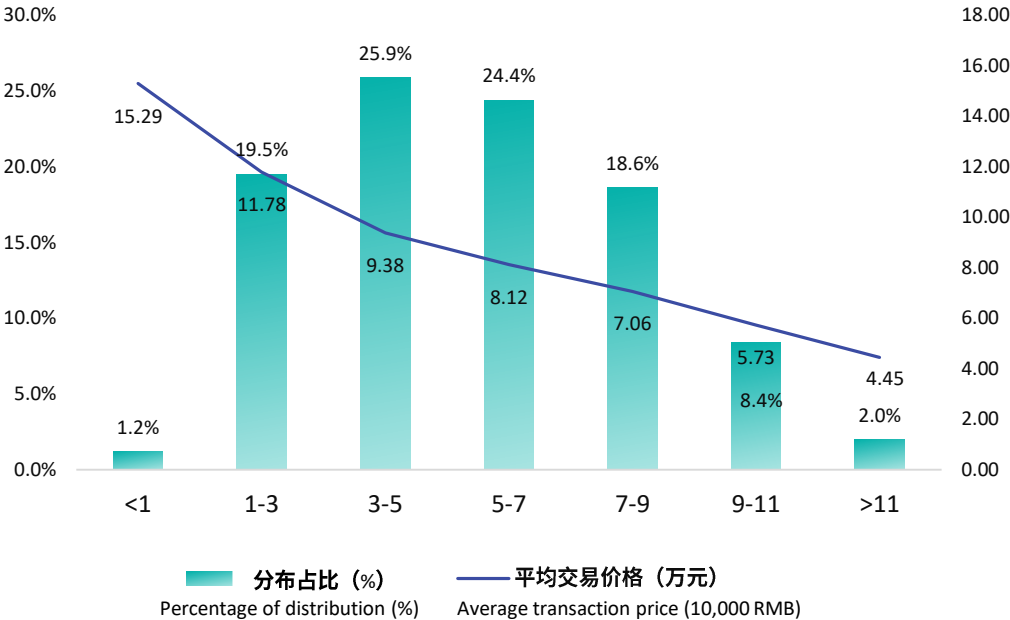


# Used Vehicle Transaction – Vehicle Age and Annual Mileage

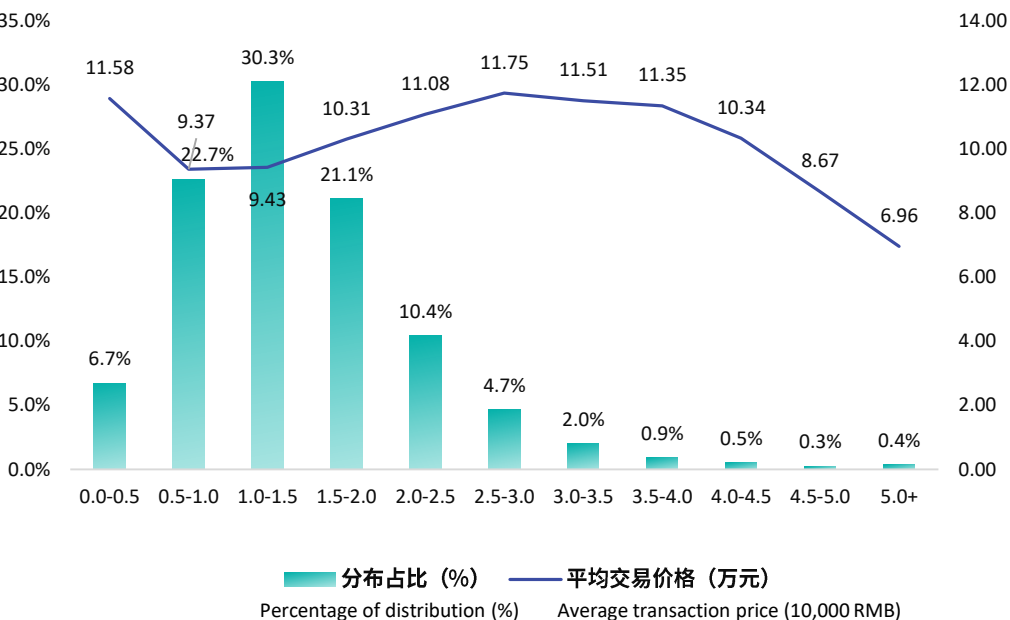
- The prices of vehicles in their first three years depreciate rapidly. The used vehicles in their third to fifth years were the most popular with prices falling slowly and quality entering a stable stage.

- Among the three-year-old used vehicles, the average transaction price of the vehicles with an average annual mileage of 30,000 km is the highest. “Moderately used” used vehicles are more stable, which run in better and therefore maintain more values.

Vehicle Age



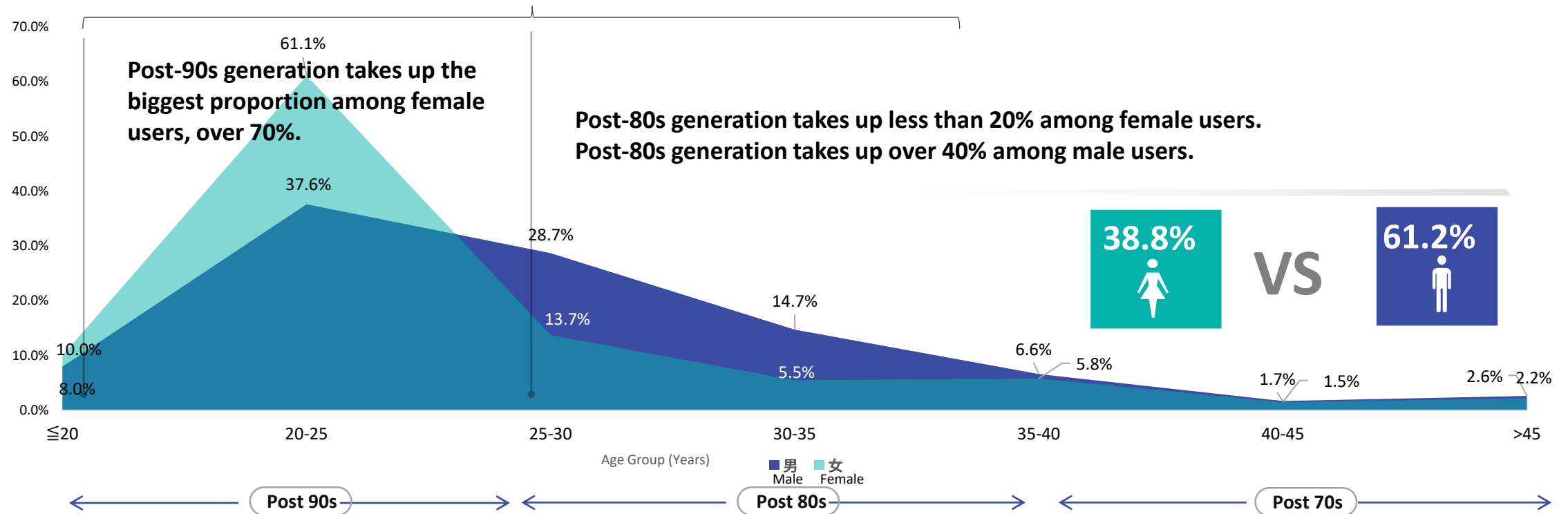
Average Annual Mileage (Three-year-old)

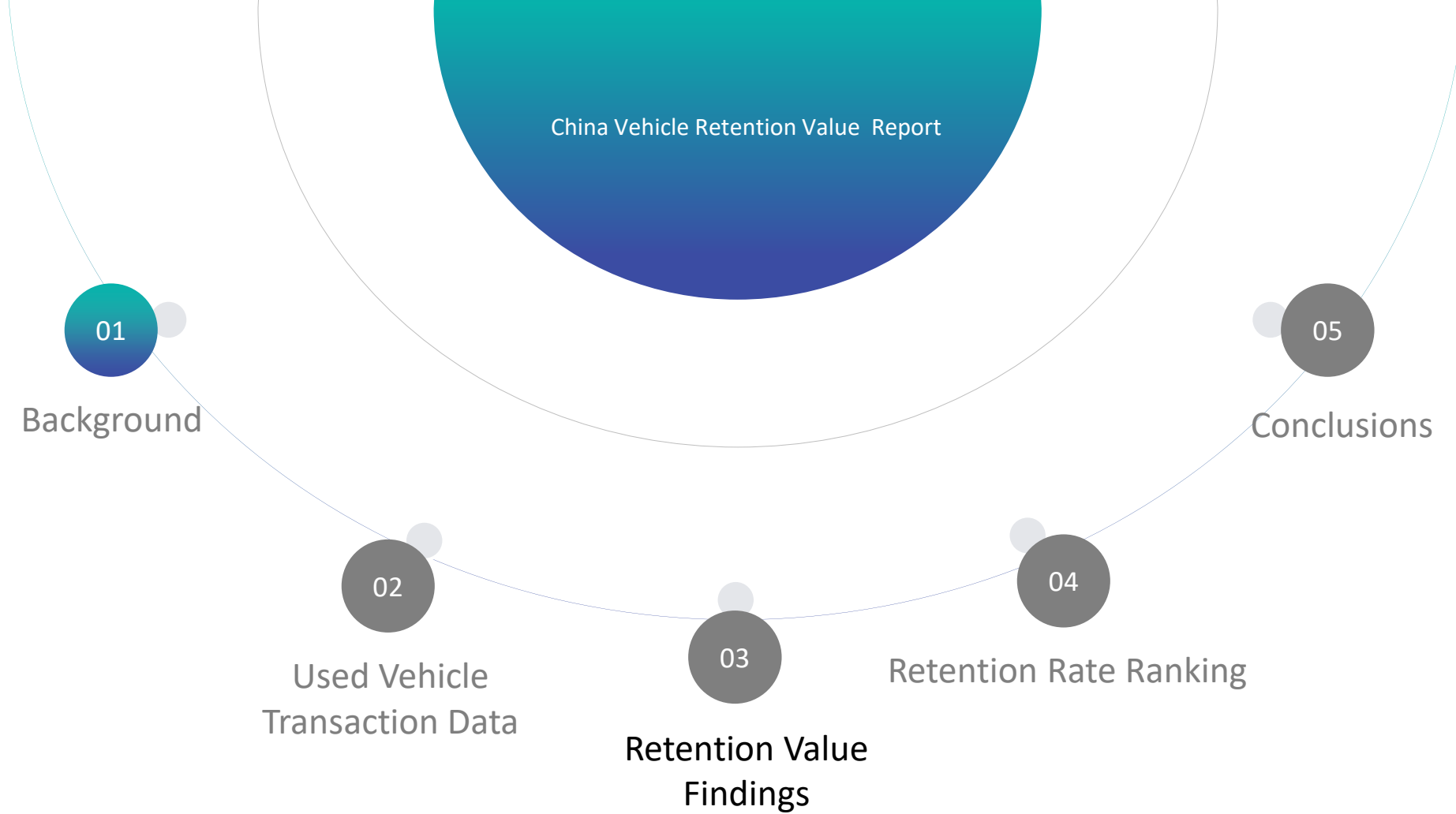


# Used Vehicle Transaction – User Analysis

## Age Distribution

The user age distribution of used vehicle transaction tends to be noticeably younger. Post-80s and post-90s generations are the main force of used vehicle transaction.





# Retention Value Comparison by Region

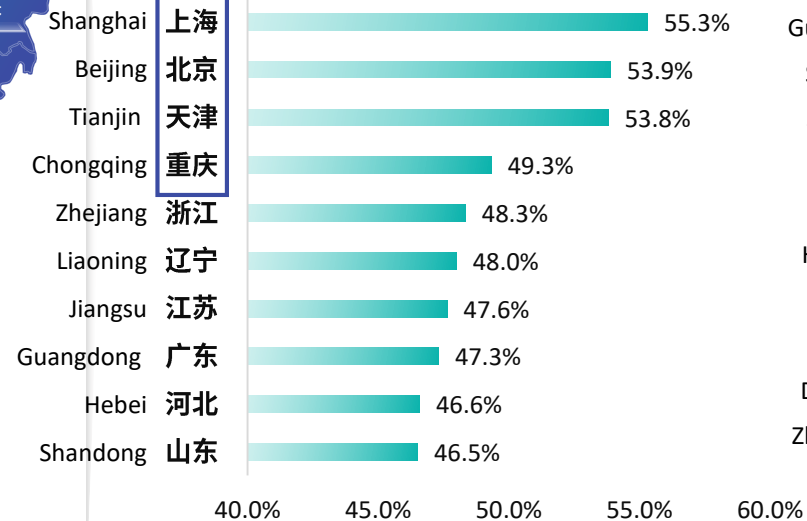
- At the regional level, retention value increases progressively from west to east, which is consistent with the used vehicle transaction momentum and economic pattern to a certain degree.

- Municipalities directly under the central government (Shanghai, Beijing, Tianjin and Chongqing) rank in the top four in terms of retention rate, which are basically more than 50%, mainly due to the fact that they all have large used vehicle markets.

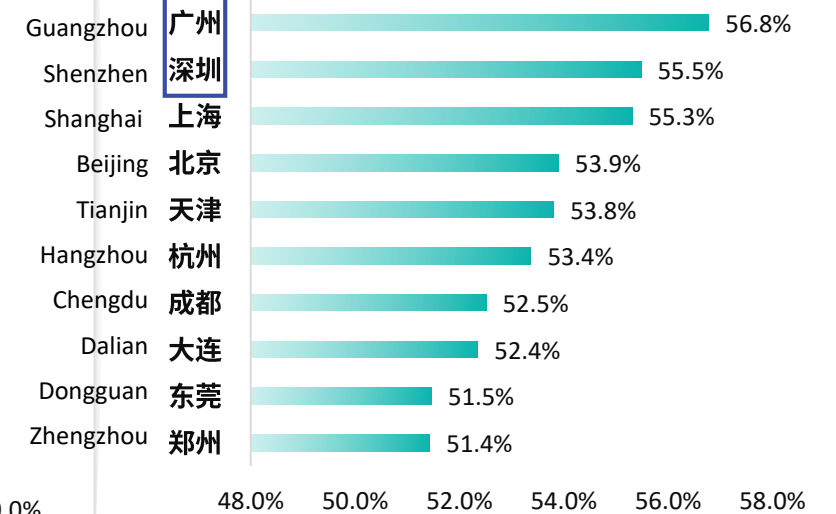
- Guangdong ranks in the middle among the provinces, but Guangzhou and Shenzhen have the highest retention value in China, which has something to do with their love for Japanese cars with high retention value.



Provinces – Top 10



Cities – Top 10



\* The default retention rate in this report is three-year retention rate.

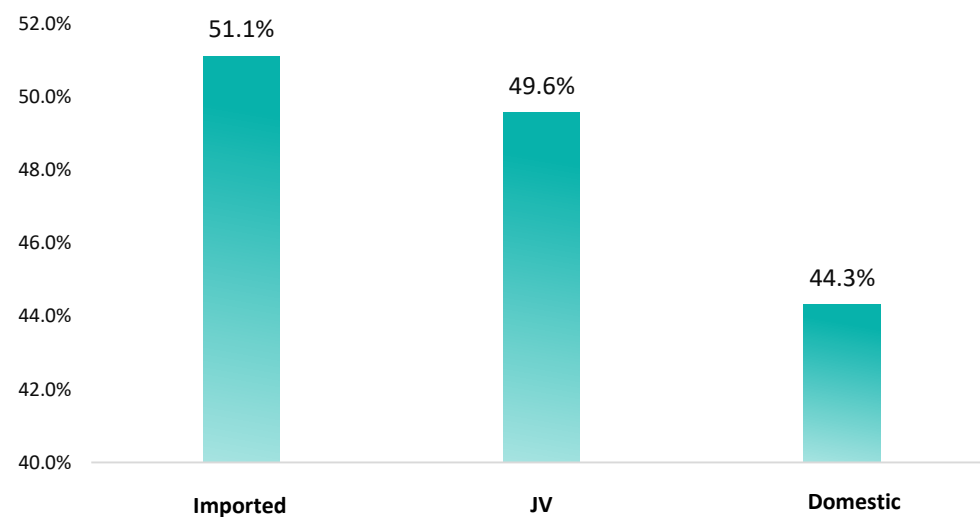


# Retention Value Comparison by OEM Type and Brand Origin

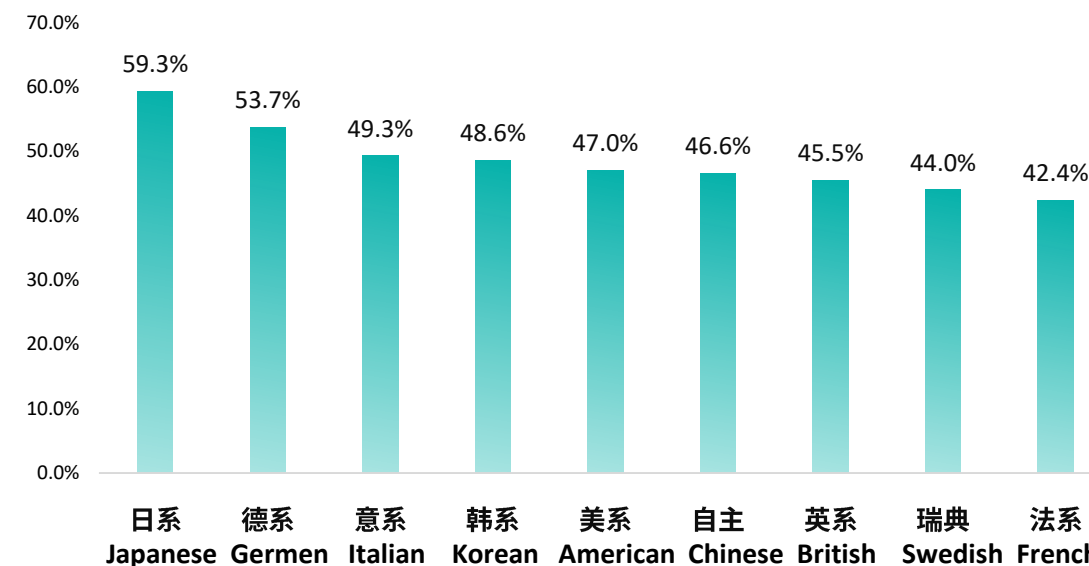
- The retention value of imported cars is the highest, mainly due to the scarcity of models, most of which are luxury brands with strong price premium. The value retention rate of domestic vehicles still has upside potential.

- The advantage of Japanese cars in value retention ratio is obvious, which is more than 5 percentage points higher than that of the second-ranked German cars, mainly due to its high cost performance and large population.

*OEM Types*



*Brand Origins*



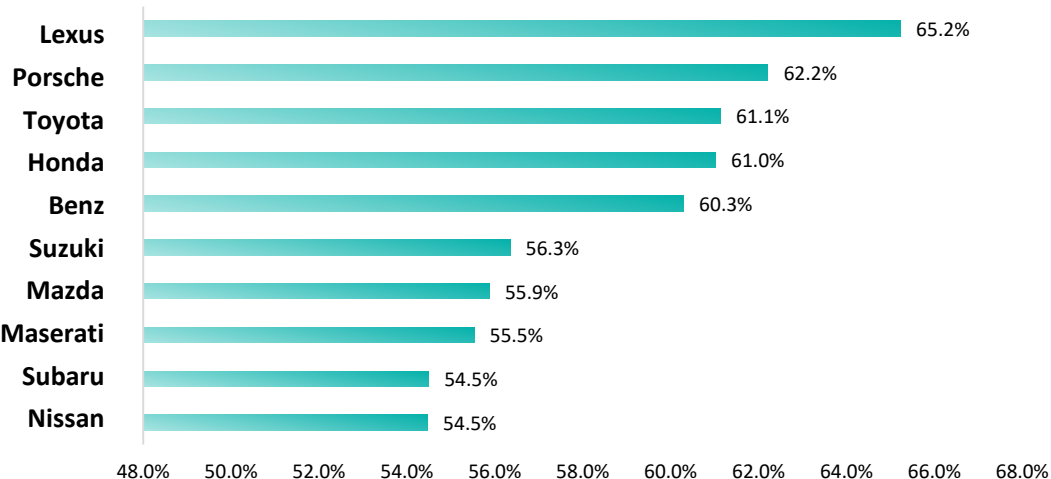
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# Retention Value Comparison by Brand and OEM

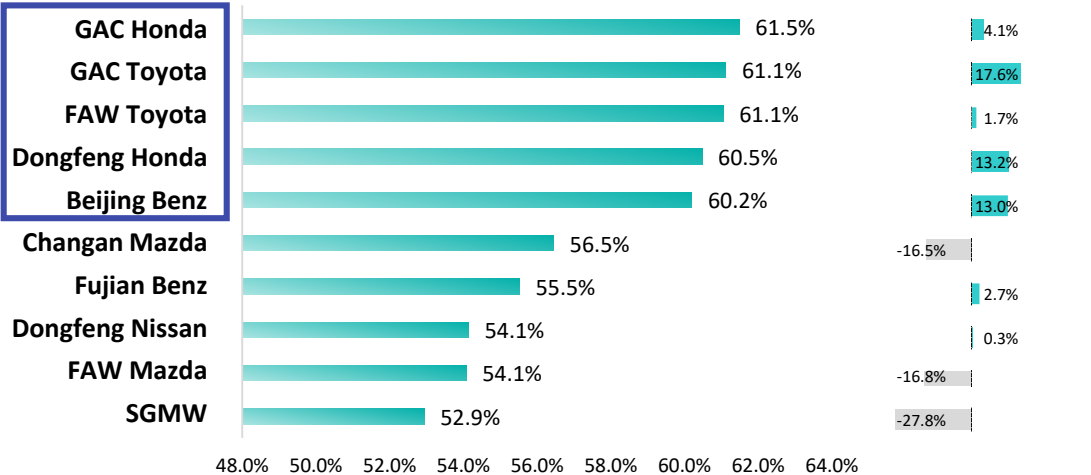
- Lexus has noticeable advantage in retention value, which is recognized by consumers in terms of quality reliability, brand power, after service, etc.

- In 2019, nearly 70% of the manufacturers' sales fell, **whereas the new vehicle sales of the manufacturers ranking top 1-5 in terms of retention value all rose against the market downturn.** The retention value contributes more to sales volume in the existing market.

Brands – Top 10



OEMs – Top 10



\* The ranking doesn't include imported car manufacturers

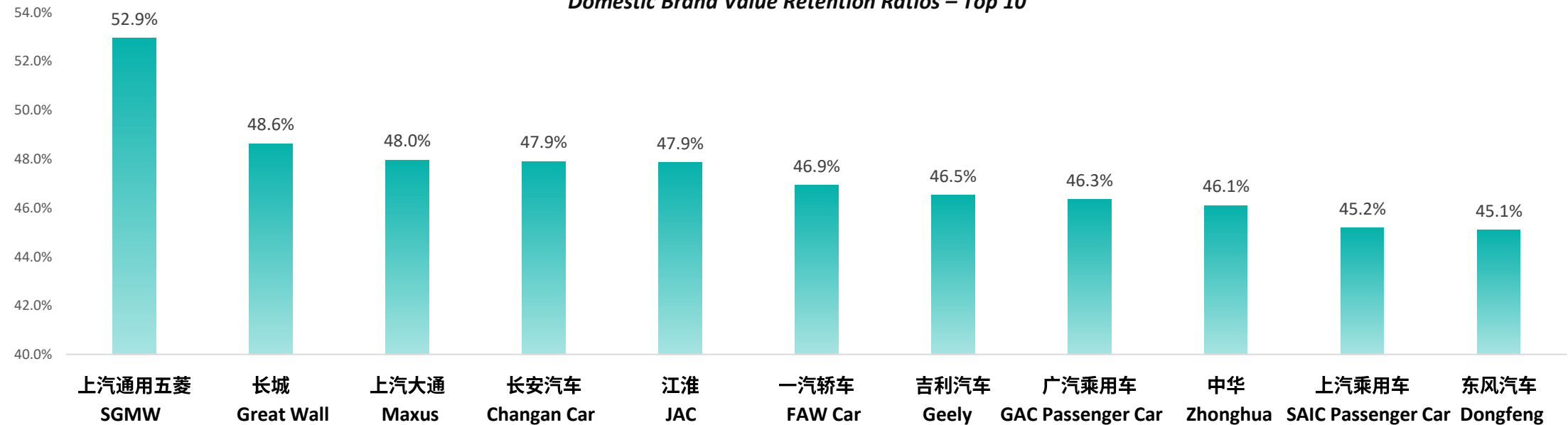
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# Retention Rate Comparison – Domestic Brands

- The overall retention rate differences among domestic brands are relatively small. The difference between the first and the tenth in the ranking is less than 8 percentage points, mainly due to the low prices of most models.

- SGMW in the first place has noticeable advantage in value retention ratio, mainly due to its large sales volume of Baojun 730 and Wuling Hongguang and their high retention rate (which are listed in the top 10 of MPV retention rate).

Domestic Brand Value Retention Ratios – Top 10



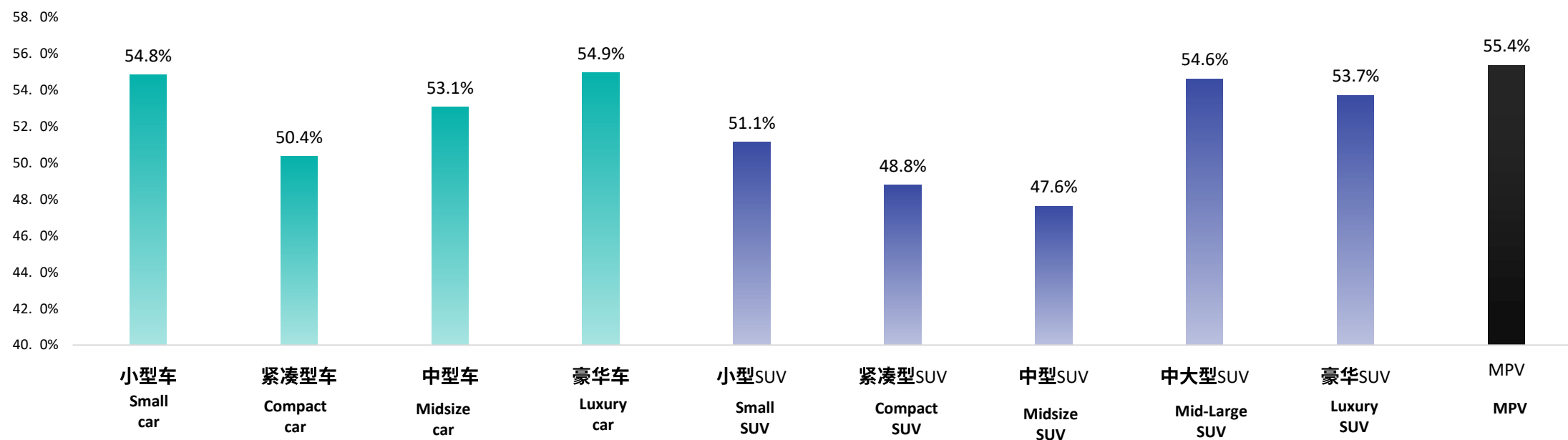
\* The default retention rate in this report is three-year retention rate.

# Retention Value Comparison by Segment

- MPV has become the segment with the highest retention value, mainly because of its irreplaceable functions and fewer choices in the market.

- The retention value of luxury cars and luxury SUVs are very high in their respective segment, with strong brand premium capabilities.

Segments



\* The default retention rate in this report is three-year retention rate.

# China Vehicle Retention Value Report

01

Background

02

Used Vehicle  
Transaction Data

03

Retention Value  
Findings

04

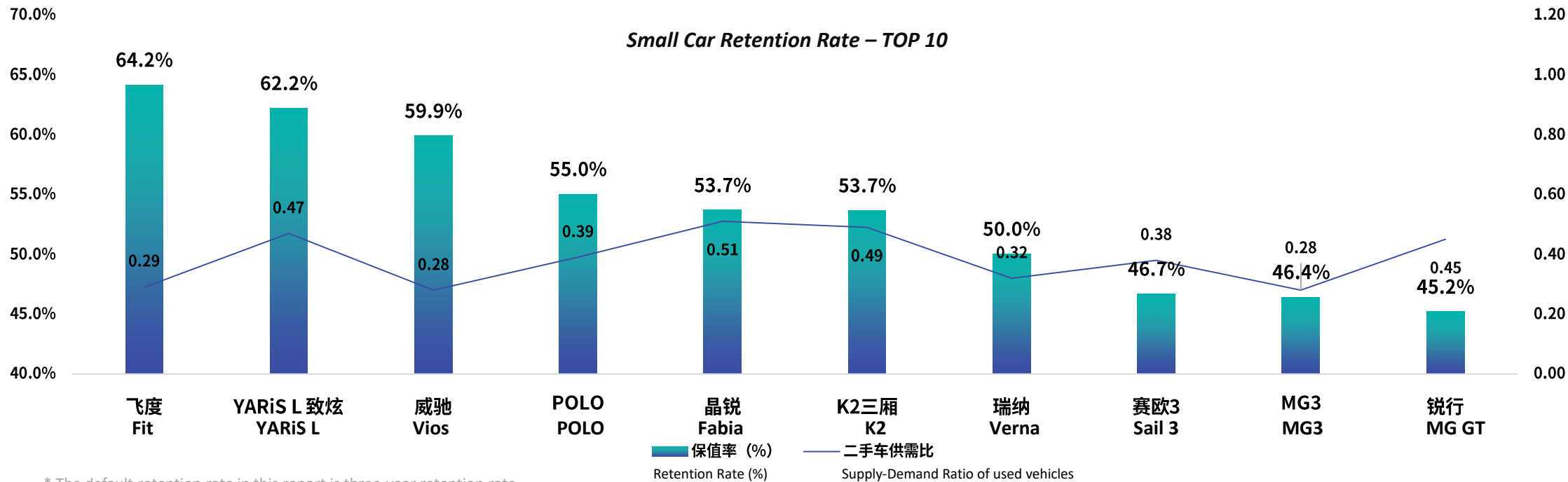
Retention Rate Ranking

05

Conclusions

# Small Car Retention Rate – Top 10

- There are big gaps in retention rate among the top 10 small cars, with a difference of 19 percentage points between the first and the tenth places.
- The first three have noticeable advantages, which have big market demands (small supply-demand ratio), mainly due to high quality reliability and cost performance.

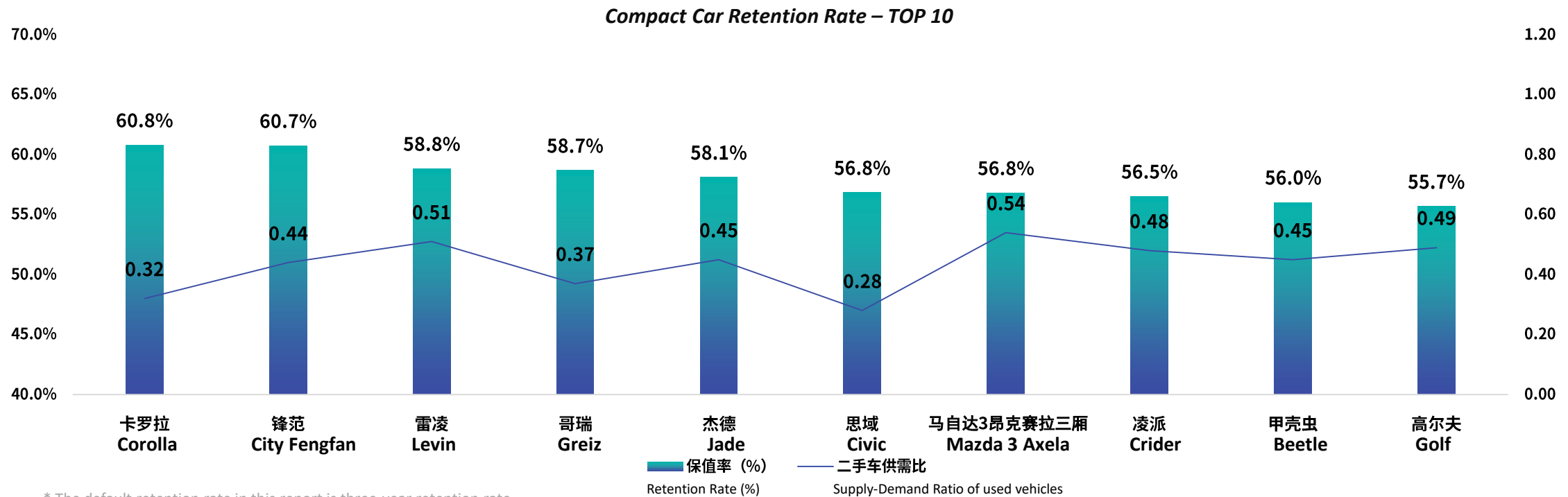


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\* The used vehicle supply-demand ratio refers to the ratio of the number of used vehicles listed on 58che.com to the number of inquiries (phone call + WeChat). The smaller the ratio is, the more popular it is.

# Compact Car Retention Rate – Top 10

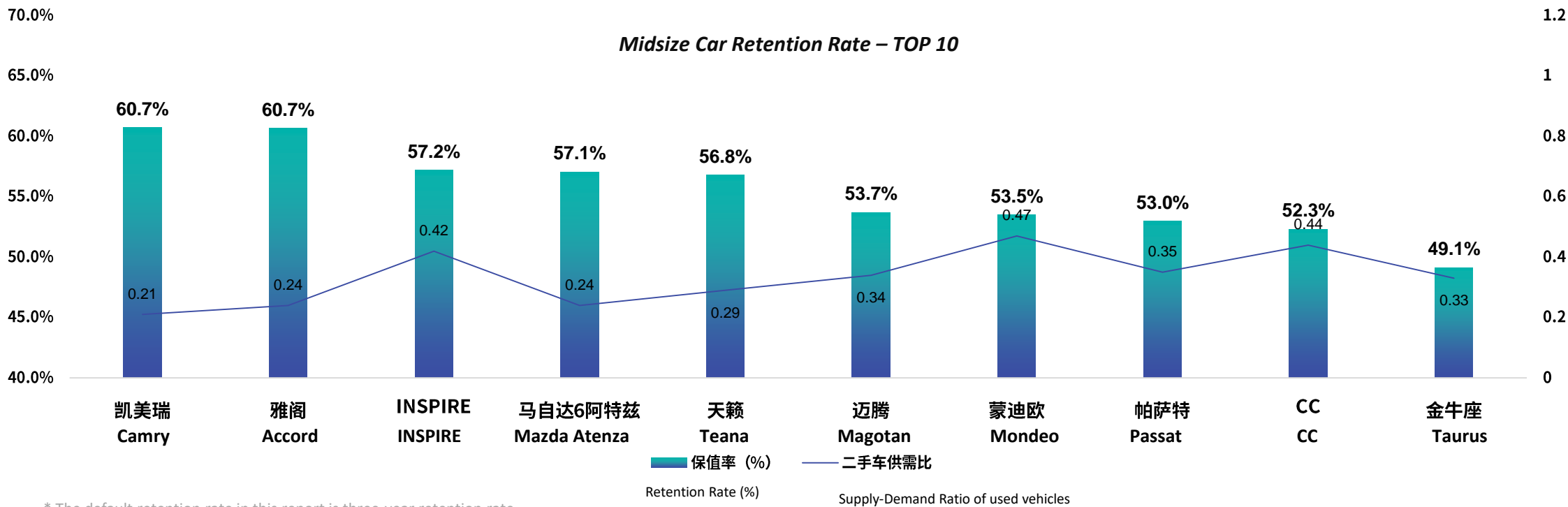
- The gaps among the top 10 compact cars in retention rate ranking are relatively small, and the difference between the first and the tenth is only 5 percentage points. There is fierce competition.
- In the competition of this segment, Japanese cars have obvious advantages, occupying the top 8.



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# Midsize Car Retention Rate – Top 10

- The overall demand for midsize cars is relatively large (the supply-demand ratio is small), which has something to do with consumption upgrading and trading up.
- Among the top 10, Japanese cars hold the top 5, followed by 3 German cars and American cars 2. Toyota Camry and Honda Accord rank first in a tie.

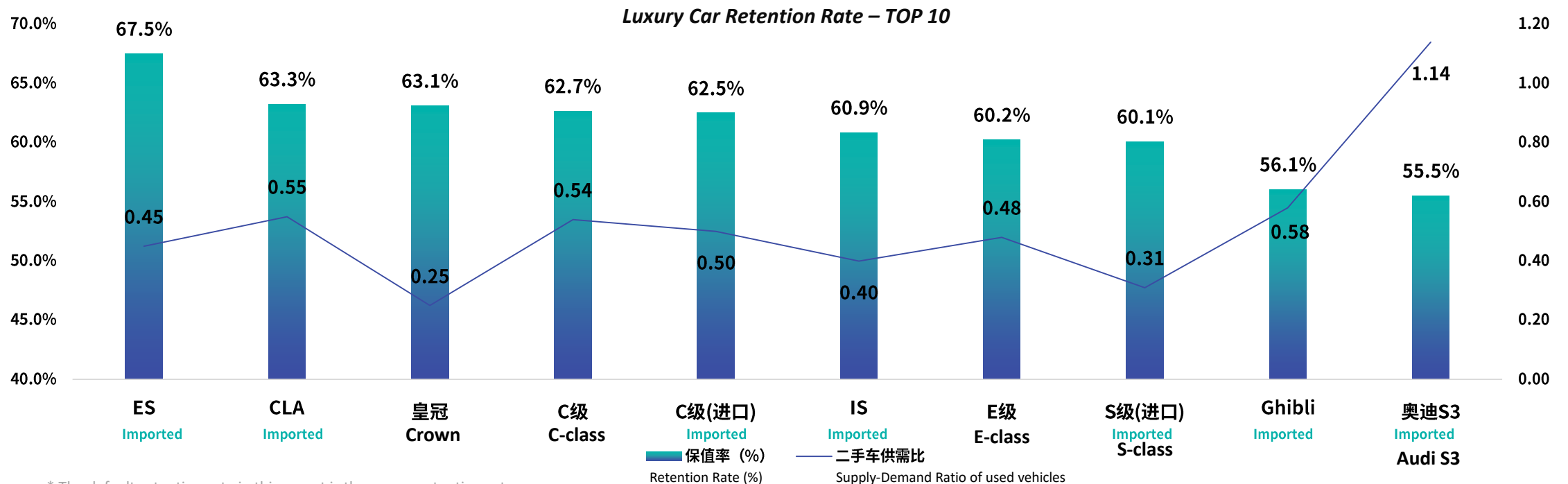


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# Luxury Car Retention Rate – Top 10

- Among the top 10 luxury cars in the value retention ratio ranking, imported cars have noticeable advantages, taking up 7 places. The top ones are brand models with better service systems such as Toyota and Mercedes-Benz.
- Mercedes-Benz has 5 models on the list. It is the brand with the largest number of models on the list. Among the five, both C-Class and E-Class are models with large sales volumes and populations.

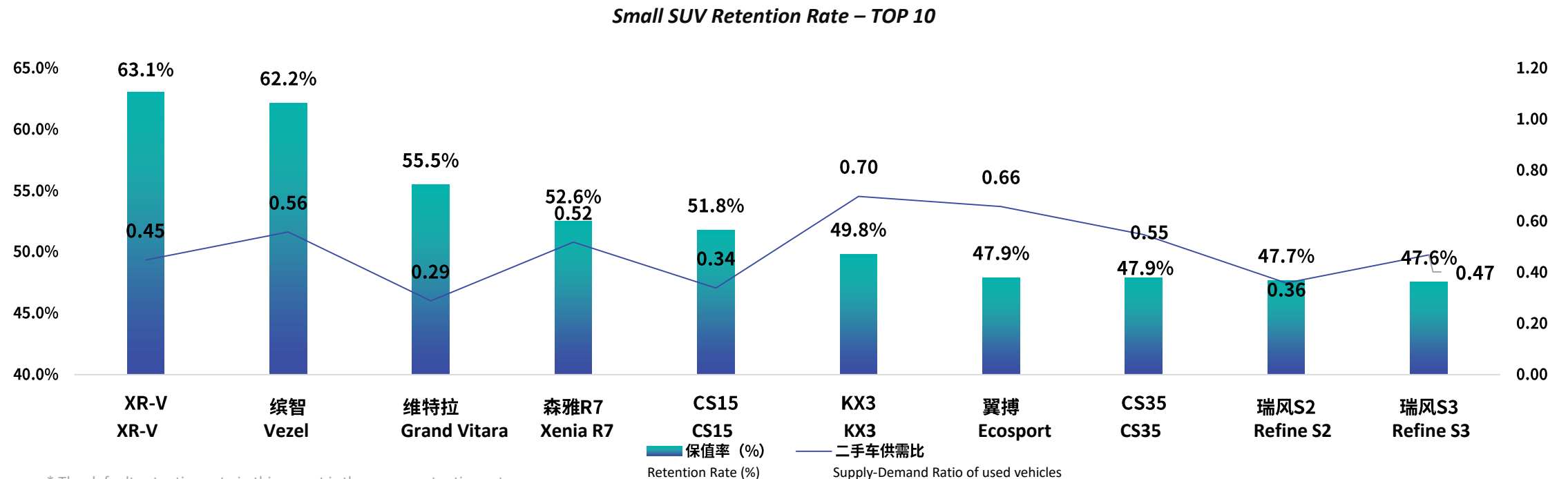


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# Small SUV Retention Rate – Top 10

- Similar to small cars, there are big gaps among the top 10 small SUVs in the value retention ratio ranking, with a difference of nearly 16 percentage points between the first and tenth places.
- The advantages of XR-V and VEZEL are noticeable, and the third place in value retention ratio ranking shows significant decline. There are 5 domestic brand models on the list, and the groups have outstanding advantages.

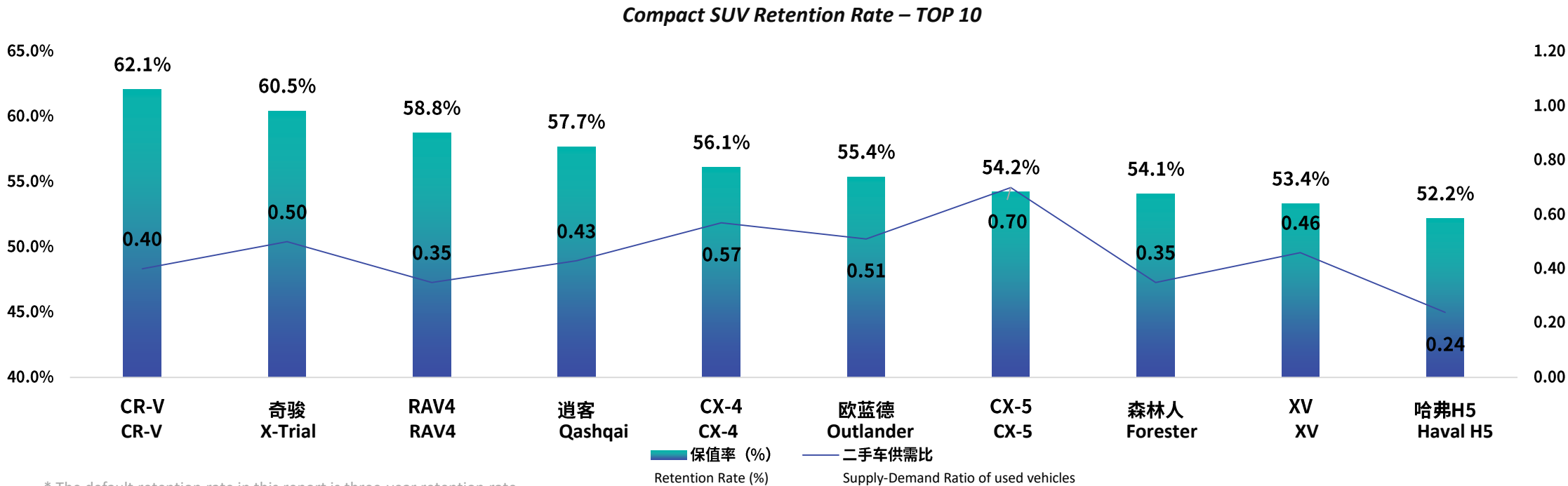


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# Compact SUV Retention Rate – Top 10

- The top 9 compact SUVs in the retention rate ranking are all Japanese models. Nissan, Mazda and Subaru all have two models on the list.
- Haval H5 is the only domestic brand model on the list with high acceptance in the used vehicle market (small supply-demand ratio).

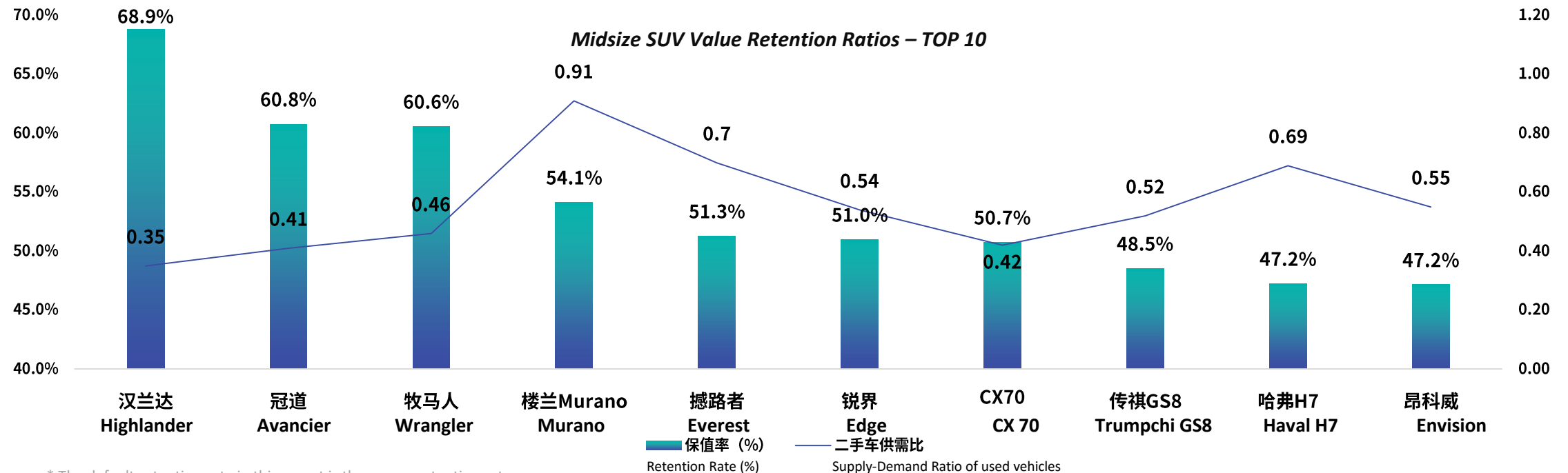


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# Midsize SUV Retention Rate – Top 10

- In the midsize SUV segment, “Chinese brands” have certain competitiveness. Three models (Changan CX70, Trumpchi GS8 and Haval H7) are on the list.
- Compared with other SUV segments, the purchase demand of midsize SUVs is relatively low (high supply-demand ratio), which is mainly subject to high price. The supply-demand ratio of Highlander is small, of which the demand is large, and the advantage in value retention ratio is obvious.

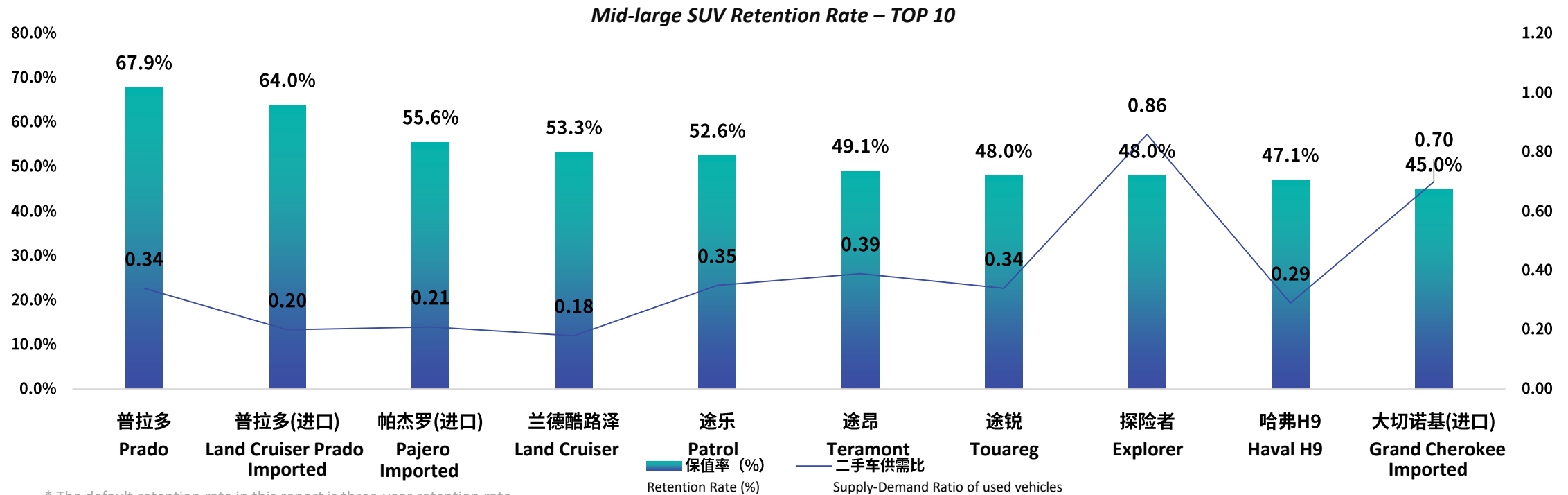


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# Mid-large SUV Retention Rate – Top 10

- The demand for used mid-large SUVs is strong (the supply-demand ratio is small), and most of the owners are those who pay for their emotions.
- There are big differences in retention rate in this segment, with a difference of nearly 18 percentage points between the first and the tenth. The domestic brand model Haval H9 is the only one on the list, breaking the “Winners take all” pattern of joint venture brands.

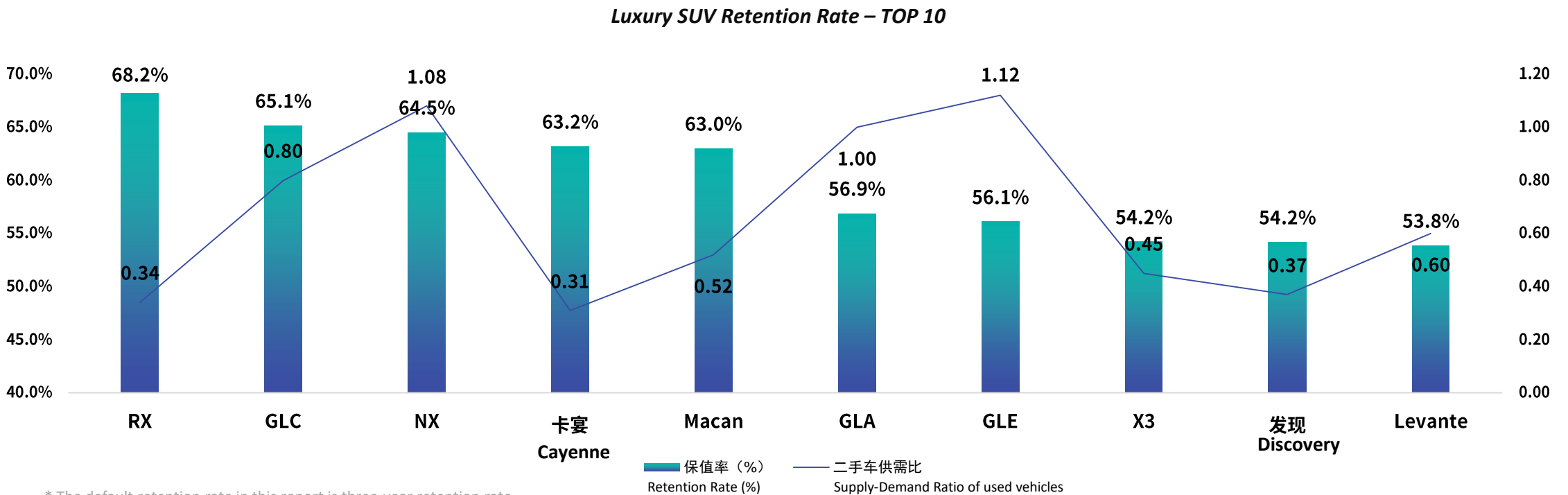


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# Luxury SUV Retention Rate – Top 10

- Similar to the ranking of luxury cars, except Mercedes-Benz GLA-Class and BMW X3, eight among the top 10 models are all imported cars.
- Lexus RX and NX (flagship SUVs) rank first and third respectively, which are overall excellent and not “unbalanced”. Three German brands (Mercedes-Benz, BMW and Audi) are not all on the list.

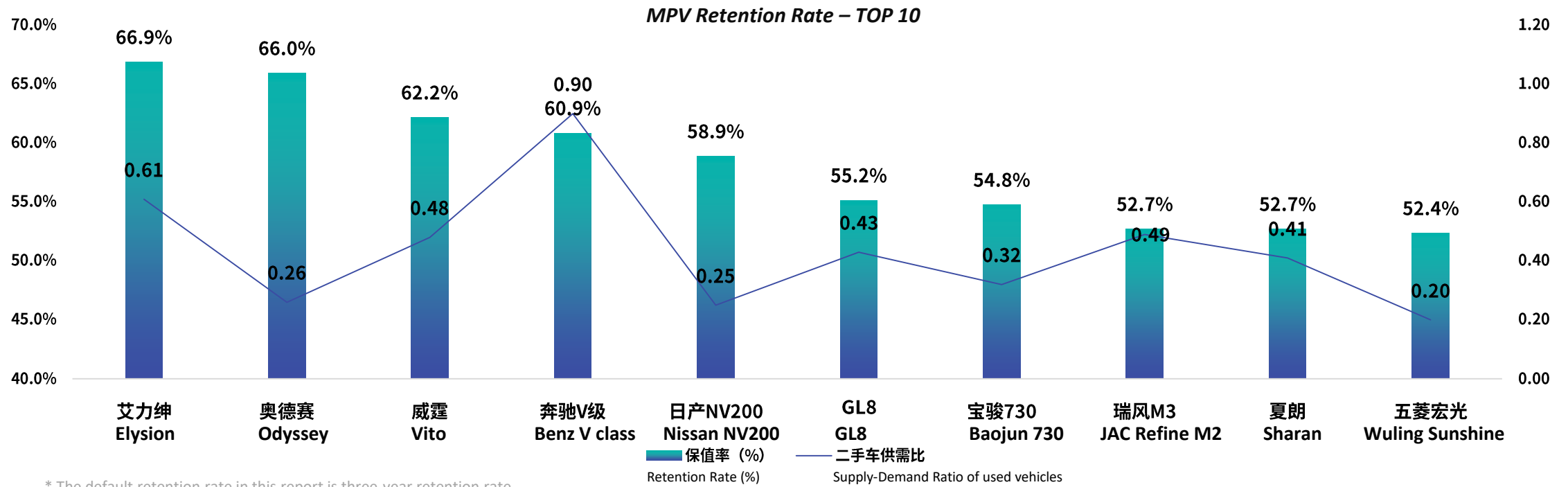


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# MPV Retention Rate – Top 10

- In the MPV segment, “Chinese brands” have a certain competitiveness, and three models (Baojun 730, Refine M3 and Wuling Hongguang) are among the top 10.
- The top two have noticeable advantages, nearly 4 percentage points higher than the third. The supply-demand ratio of used Mercedes Benz V-Class is the highest and that of Wuling Hongguang is the lowest, mainly because the prices affect the choices of consumers.



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01

Background

02

Used Vehicle  
Transaction Data

03

Retention Value  
Findings

04

Retention Rate Ranking

05

Conclusions



# Conclusions

- **Pandemic prevention and control is still the focus at present, and the automotive market will recover later.**  
In the short term, the pandemic has great affects on sales volume, but it will add first-time purchase demand. In addition, the purchase demand during the pandemic period will be released later. So the automotive market will recover later.
- **The post-80s female consumer group has low acceptance for used vehicle transaction. There is incremental space in the market.**  
At present, the majority of female owners in used vehicle transaction are post-90s. Post-80s have low acceptance. However, most of them have families, so there is a demand for trading up. The mid-size and large used vehicles are the cost-effective choices.
- **In the existing market, the manufacturers with leading retention value will see their sales volume going up against the market trend.**  
In 2019, nearly 70% of the manufacturers' sales fell, whereas the manufacturers with high retention rate(top 1-5) saw their sales volume of new cars rising against the market trend. The retention value contributed more to sales volume in the existing market.
- **Domestic brands show breakthrough in retention value but there's still room for further improvement.**  
Overall speaking, domestic brands are in a weak position in retention value but they have showed breakthroughs in different SUV segments.  
Accurately understanding target model's competitive dynamics with competing models in retention value and the causes for gaps/differences can help better improve competitiveness.

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THANKS!

