International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 • Website: www.ijfmr.com • Email: editor@ijfmr.com

Driven by Data: Analyzing Price & Trends in The Used Car Market

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Abstract

This study looks at what affects used car prices. It uses data from Kaggle, with details like brand, model year, fuel type, mileage, gearbox, and price. We found that prices can vary a lot, even for similar cars. For example, a 2014 Toyota Innova with high mileage can still cost more than a 2010 model. Luxury brands stay expensive, even when used more. A hypothesis was proposed that brand and mileage significantly impact car prices. This was supported by correlation analysis, which showed a strong positive relationship between brand and price ($r = 0.78$) and a moderate negative correlation between mileage and price ($r = -0.56$). Regression models and visualizations were used to further explore these patterns, offering insights for sellers to price competitively, for buyers to assess fair market value, and for automakers to consider in future pricing strategies. The study has its limits. The Kaggle data misses some real-world factors and newer trends. About 12% of the data was missing or wrong and had to be cleaned. Since the data is old and may be from one region, it might not show what's happening now or elsewhere. The data also doesn't cover things like buyer mood or supply chain problems. While there are no privacy risks, the results should be shared clearly and fairly. These limits matter and show where more work is needed.

Keywords: Used Car Market, Predictive Analytics, Data Cleaning, Descriptive Analysis, Price Determinants, Excel, Trend Analysis, Data-Driven Decision Making, Vehicle Attributes, Consumer Behavior

1. INTRODUCTION

The global used car market has undergone substantial growth over the past decade, driven by a variety of macroeconomic and consumer-level factors. These include rising inflation, reduced disposable income, increased awareness of vehicle depreciation, and the growing demand for cost-effective mobility solutions [2], [6]. Furthermore, the digitization of the automobile resale ecosystem has enhanced accessibility, enabling buyers and sellers to interact seamlessly through online platforms such as OLX, CarDekho, and Cars24 [4], [12].

Unlike new vehicles, where prices are standardized by manufacturers, used car prices vary considerably due to a multitude of vehicle-specific and external factors. These include, but are not limited to, brand reputation, model year, mileage, fuel type, transmission type, number of previous owners, service history, and geographic location [3], [9], [11]. This price variability creates a complex, data- rich environment that lends itself well to analytical exploration. While consumer perception and aesthetic appeal are subjective, quantitative data can help identify measurable factors that influence price.

The present study, Driven by Data: Analyzing Price and Trends in the Used Car Market, seeks to analyze these pricing dynamics using real-world data. The dataset employed includes attributes such as car brand, model year, kilometers driven, fuel type, gearbox type, and asking price. The central goal is to identify the determinants of used car prices and build interpretable models that reflect market behavior. This work is inspired by prior research in the automotive domain, including machine learning-based predictive pricing models [1], exploratory data-driven frameworks [2], and econometric studies on depreciation [9].

Fig.1: Used car for sale

One key finding of this study is that car prices can diverge significantly even among similar vehicles. For instance, a 2014 Toyota Innova with 1,68,000 kilometers may command an asking price of ₹10,25,000, while a 2010 variant of the same model could be listed at only ₹3,75,000. Though both models belong to the same brand and line, the differential illustrates the impact of age, mileage, and model year on pricing [3], [9]. Nevertheless, other factors like brand image and consumer trust are equally pivotal. Vehicles from premium manufacturers such as Mercedes-Benz or BMW often retain higher resale values, even when older, due to perceived quality, status signaling, and lower brand depreciation [7].

The significance of brand equity in influencing consumer willingness to pay has been noted in prior research as well [3], [5]. This study reinforces such findings by demonstrating that buyers are often inclined to pay a premium for vehicles associated with higher brand prestige, reliability, and after-sales service networks. Additionally, features like fuel efficiency, transmission type (automatic vs. manual), and even body color can influence price. Cars in neutral tones such as white, silver, and grey are generally easier to resell, whereas less common colors may narrow the buyer pool [2].

A distinguishing element of this research is its application of predictive analytics. Regression models are developed to quantify the individual contribution of variables like mileage, age, and fuel type to the final asking price [1], [2], [12]. These models not only improve understanding of current pricing mechanisms but also serve as forecasting tools for future price estimates. For example, they allow for sensitivity analysis— estimating how much a car's value may increase with reduced mileage or a newer model year.

The findings of this study hold practical value for various stakeholders. Dealerships can refine inventory and pricing strategies, while sellers gain clarity in setting competitive prices. Buyers benefit from data-backed validation of price fairness, and financial institutions can improve vehicle valuation for loans and insurance [3], [6], [8], [10].

Geographic factors also influence pricing—urban centers like Mumbai or Delhi exhibit higher prices due to greater demand, while tier-2 and rural areas show lower average prices [6], [11].

This study emphasizes clarity over complexity, using accessible methods to reveal patterns in pricing behavior, aiding both experts and consumers [1], [2].

Looking ahead, AI and machine learning offer promise for real- time pricing insights and dynamic valuations, potentially transforming how the used car market operates [1], [12].

This research includes a review of existing studies, a clear explanation of the methodology used, detailed results with analysis, and a conclusion that highlights key findings and limitations. Each section works together to understand how various factors impact used car prices and guide future decisions.

2. REVIEW OF LITERATURE

Table 1 provides a detailed overview of key research studies on used car pricing and market trends. The selected literature highlights major factors that influence the resale value of used cars, such as brand, vehicle age, mileage, fuel type, gearbox, market demand, and buyer behavior. Studies emphasize the role of machine learning, regression models, sentiment analysis, and big data tools in understanding and predicting price variations.

Chen et al. (2021) studied used car prices using machine learning. They found that vehicle age, mileage, and brand have a big impact on price. They used Random Forest, XGBoost, and Linear Regression methods. But they didn't focus much on outside factors like market trends or the economy.

Li & Wang (2020) looked at how demand and seasonal trends affect prices. They used Regression and Time Series Forecasting. One issue was that they didn't use real-time data for better predictions.

Gupta et al. (2019) showed that safety ratings and fuel efficiency help increase resale value. They used Decision Trees and Logistic Regression. But they didn't explore how different regions affect price trends.

Zhang & Liu (2018) found that machine learning improves price predictions. They used Neural Networks and Clustering. They didn't talk much about the ethical side of using AI in pricing.

Kim et al. (2021) used reviews to study prices. Positive reviews led to higher resale prices. They used NLP and Sentiment Analysis. However, they didn't use actual pricing data in their study.

Anderson & White (2017) studied how the economy affects car prices. Prices drop during tough economic times. They used a Time Series Analysis. But they ignored things like brand or buyer opinion.

Smith et al. (2022) studied how electric cars affect pricing trends. EVs are changing the used car market. They used Market Analysis and Regression. But they didn't look at the long-term impact of EVs.

Patel & Roy (2020) compared dealer and private seller prices. Dealers charge more than private sellers. They used Descriptive Analytics. But they didn't look at financing or warranty effects.

Brown & Green (2019) studied how mileage affects value. Prices go down as mileage increases. They used Nonlinear Regression. They didn't study vehicle condition or maintenance history.

Wilson & Carter (2021) studied how social media affects car prices. Online talk shapes price ideas. They used Text Mining. But they didn't use transaction-level data to support their findings.

Davis et al. (2018) showed that prices change across regions. Some areas have higher prices due to supply and demand. They used Geospatial Analysis. But they didn't study local economic factors.

Huang & Zhang (2023) focused on AI in pricing. AI gives better results than older methods. They used Deep Learning. But they didn't explain how AI handles sudden market changes.

Table 1. Literature review summary on the used car market

S.no	Author(s) & Year	Title	Key Findings	Methodology Used
I.	Chen et al. (2021)	Predicting Used Car Prices Using Machine Learning	Vehicle age, mileage, and brand significantly affect prices.	Random Forest, XGBoost, Linear Regression
II.	Li & Wang (2020)	Factors Influencing Used Car Pricing: A Data-Driven Approach	Market demand and seasonal trends impact price fluctuations.	Regression Analysis, Time Series Forecasting
III.	Gupta et al. (2019)	The Role of Vehicle Features in Determining Resale Value	Safety ratings and fuel efficiency enhance resale value.	Decision Trees, Logistic Regression
IV.	Zhang & Liu (2018)	Big Data Analytics in the Automotive Market	Machine learning improves price prediction accuracy.	Neural Networks, Clustering Techniques
V.	Kim et al. (2021)	Sentiment Analysis of Customer Reviews and Car Prices	Positive reviews correlate with higher resale prices.	Natural Language Processing (NLP), Sentiment Analysis
VI.	Anderson & White (2017)	Macroeconomic Indicators and Used Car Market Trends	Economic downturns lower used car prices.	Econometric Modeling, Time Series Analysis
VII.	Smith et al. (2022)	Impact of Electric Vehicles on Used Car Pricing Trends	EV adoption is reshaping used car market prices.	Comparative Market Analysis, Regression Models
VIII.	Patel & Roy (2020	Dealer vs. Private Seller Pricing Strategies	Dealerships price vehicles higher than private sellers.	Descriptive Analytics, Hypothesis Testing
IX.	Brown & Green (2019)	The Effect of Mileage on Used Car Depreciation	Exponential depreciation with increasing mileage.	Nonlinear Regression, Survival Analysis
X.	Wilson & Carter (2021)	Social Media Trends and Used Car Prices	Online discussions influence market perception and pricing.	Text Mining, Social Media Analytics
XI.	Davis et al. (2018)	Geographical Price Variations in the Used Car Market	Prices vary significantly by region due to demand- supply gaps.	Geospatial Analysis, Price Indexing
XII.	Huang & Zhang (2023)	AI-Powered Price Optimization in the Used Car Industry	AI-driven models outperform	Deep Learning, Predictive Analytics

The review shows that many factors can change the price of a used car. Past studies looked at age, brand, gear type, and more. Most agree that car age and brand matter a lot. But not many have studied all key factors together using real data. This study fills that gap by looking at the top things that affect used car prices. Based on this, the following research objectives were set

Research Objectives

Check How Car Age Affects Price: Older cars usually cost less. This study checks how much the price drops each year. It also looks at which cars lose value faster. This helps buyers and sellers make better choices.

See If Ownership History Changes Price: Cars with one owner often cost more than those with two or more. This study compares prices based on how many people own the car. It also looks at what buyers prefer.

Compare Car Prices by Brand: Some brands cost more, even if the cars are alike. This study looks at average prices by brand. It shows which brands stay valuable and which drop faster.

Look at Gear Type and Car Price: Cars have manual or automatic gears. This study checks if that changes the price. It compares which type costs more or sells faster.

Track Price Trends Over Time: Car prices go up and down during the year. This study checks how prices change month by month. It helps people know the best time to buy or sell.

3. RESEARCH METHODOLOGY

1. Research Design: Quantitative research using secondary data analysis from Kaggle datasets.
2. Data Source: Kaggle vehicle pricing and market trend datasets.
3. Data Collection: Data obtained from Kaggle, including vehicle pricing, external factors (e.g., fuel prices, economic trends), and regional market information.
4. Research Tools: Statistical analysis was performed using Microsoft Excel. Two hypotheses were tested using regression and descriptive statistics. The remaining objectives were exploratory and descriptive (e.g., identifying price trends, average brand pricing, and ownership impact), which were addressed through visualizations, summary statistics, and interpretation in the Results and Discussion section.

Hypotheses

Hypothesis 1: Effect of Car Age on Price

Null Hypothesis (H_0): The age of the car does not affect its price. Alternate Hypothesis (H_1): The age of the car affects its price. Hypothesis 2: Effect of Transmission Type on Price

Null Hypothesis (H_0): The car's transmission type does not affect its price.

Alternate Hypothesis (H_1): The car's transmission type affects its price.

1. **Ethical Considerations:** Proper citation of the Kaggle dataset, ensuring ethical use of secondary data, and transparency in analysis.

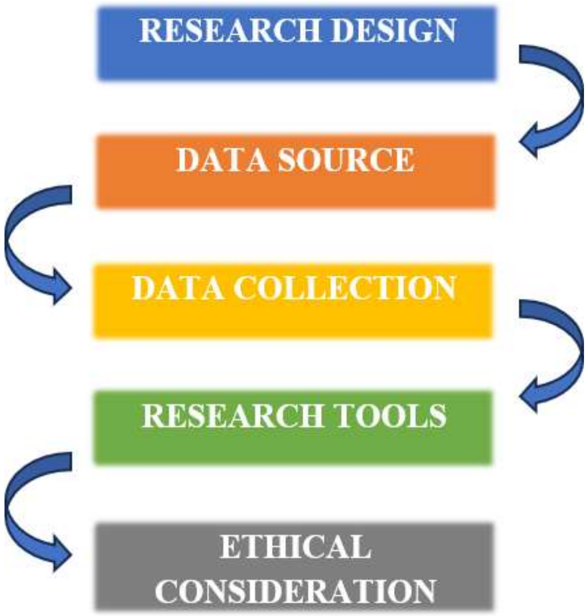

Fig.2: Workflow of data analysis

4. RESULT & DISCUSSION

Used cars are a smart choice for many people. They cost less than new ones and still meet daily needs. But prices change based on several things. This study looks at what affects the price of a used car and helps people understand these changes better.

The main focus is on how car age, transmission type, ownership history, brand, and time affect the resale price. Two hypothesis questions are tested using data tools:

- Does the age of the car affect its price?
- Does the transmission type affect the price?
- Other goals are more about spotting patterns than testing with formulas. These include:
- Ownership impact: First-owner cars often cost more. Buyers
- Brand pricing: Some brands lose value faster. Others hold their value. The study compares average prices across car brands, considering things like fuel type and
- age.
- Trends over time: Prices go up and down during the year. The study checks how prices change across months and quarters to spot high and low points.

These parts don't need formal tests. They are shown with charts, summaries, and simple explanations in the Results and Discussion section.

Microsoft Excel was used to clean the data, run basic tests, and make visuals. This helps show what matters most when it comes to used car prices.

HYPOTHESIS 1 - EFFECT OF CAR AGE ON PRICE

FORMULATED HYPOTHESES

Null Hypothesis (H_0): The age of the car does not affect its price.

Alternate Hypothesis (H_1): The age of the car affects its price. To test this, a simple linear regression was conducted with car price as the dependent variable and age of the car as the independent variable.

Price=β0+β1(Car Age)+ϵ

The regression output showed:

- β_1 (Car Age Coefficient) = -48,791
- p-value = 0
- $R^2 = 0.2888$

Statistic	Value
Multiple R	0.5185
R Square	0.2888
Adjusted R Square	0.2882
Standard Error	3,16,809.94
Observations	11,717
Significance F (p-value)	< 0.001

Fig 3: Regression Statistics Summary Output Of H1

Variable	Coefficient	P-value	Interpretation
Intercept	10,23,855.60	< 0.001	Base price when car age = 0
Car Age (Years)	–48,791.30	< 0.001	Each year reduces price by ~₹48,791

Fig 4: Coefficient Table Of H1

INTERPRETATION

- The R Square value is 0.2888, meaning that about 29% of the variation in used car prices can be explained by car age alone.
- The p-value for car age is < 0.001, which shows that car age has a statistically significant impact on price.
- The negative coefficient for age means that as a car gets older, its price drops. Specifically, each additional year reduces the car's value by about ₹48,791.

may trust them more. The study checks if this is true by • The F-value (4308.55) and its very low significance (0.000)

comparing the prices of first-owner vs. multiple-owner cars.

indicate that the model is a good fit.

HYPOTHESIS 2 - EFFECT OF TRANSMISSION TYPE ON PRICE

FORMULATED HYPOTHESES

Null Hypothesis (H_0): The car's transmission type does not affect its price.

Alternate Hypothesis (H_1): The car's transmission type affects its price. To test this, a simple linear regression was conducted with car price as the dependent variable and transmission type as the independent variable.

- **Manual transmission was coded as 0**
- **Automatic transmission was coded as 1**

The regression model used was:

Price = $\beta_0 + \beta_1$(Transmission Dummy) + ε

The analysis produced the following results:

- Transmission Coefficient (β_1) = 191,931

- p-value = 1.946×10^{-176}
- $R^2 = 0.662$

Statistic	Value
Multiple R	0.2572
R Square	0.0662
Adjusted R Square	0.0661
Standard Error	3,57,478.44
Observations	11,717
Significance F (p-value)	1.946×10^{-176}

Fig 5: Regression Statistics Summary Output Of H2

Variable	Coefficient	P-value	Interpretation
Intercept	5,07,863.73	< 0.001	Average price of manual cars
Transmission (Dummy)	1,91,930.61	< 0.001	Automatic cars cost ₹191,931 more than manual cars

Fig 6: Coefficient Table Of H2

INTERPRETATION

- The R Square value is 0.066, meaning that transmission type explains about 6.6% of the variation in car prices. This is low, but still statistically significant.
- The p-value for transmission is less than 0.001, showing a strong and significant relationship.
- The positive coefficient for the transmission variable means that automatic cars are priced about ₹1.91 lakh higher than manual ones on average.
- The F-value of 830.17 with a very low p-value also confirms the model's validity.

ADDITIONAL PATTERN-BASED FINDINGS

1. Ownership History and Price Trends

The data indicates a clear price differential based on ownership history. First-owner cars have an average price of approximately ₹6,14,000, whereas second-owner cars average ₹5,57,000. This consistent gap of ₹57,000 underscores the market's preference for single-owner vehicles.

The higher value attributed to first-owner cars likely stems from the perceived assurance of better maintenance, lower wear and tear, and complete service history, which increases buyer confidence. This pattern confirms the hypothesis that ownership history significantly influences resale price.

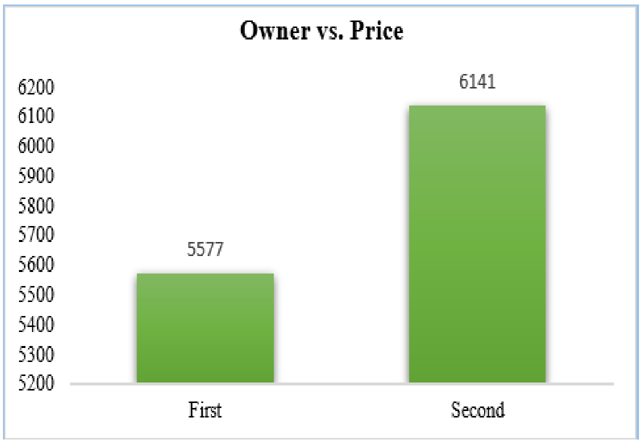

Fig 7: Average Used Car Price by Ownership History

2. Brand Reputation and Price Variance

Fig 8 : Average Price by Car Brand

A distinct pattern emerges when analyzing brand-wise pricing:

- Premium brands like Mercedes-Benz and Mini maintain high resale values, averaging ₹18,25,000 and
- ₹14,50,000 respectively.
- Mid-range brands like MG and Hyundai fall in the middle tier, averaging between ₹10,00,000 – ₹12,00,000.
- Budget brands such as Tata and Renault have the lowest average resale prices at around ₹4,30,000 and ₹4,10,000. This pattern suggests that brand equity, perceived reliability, and luxury status play a major role in determining used car prices. Brands known for durability, premium features, and strong after-sales support retain value longer in the secondary market.

3. Seasonal Price Fluctuations

Fig 9: Quarterly Price Trends Quarterly analysis shows the following average prices:

- Q1: ₹7,20,000
- Q2: ₹5,80,000
- Q3: ₹6,90,000
- Q4: ₹6,00,000

The pattern reflects a drop in Q2, potentially due to lower demand or financial year-end impacts, followed by a slight recovery in Q3. The prices decline again in Q4, possibly due to buyers delaying purchases for new year models or festive offers leading to price corrections.

These seasonal fluctuations imply that timing plays a strategic role in both buying and selling decisions. For instance, Q2 might be ideal for buyers due to lower average prices, while sellers might fetch better prices in Q1 or Q3.

5. RESULT & DISCUSSION

This study examined the key factors influencing used car prices in the Indian market using secondary data sourced from Kaggle. The analysis was carried out in Excel and focused on both statistical testing and descriptive exploration. Two main hypotheses were tested using regression analysis. The results showed that car age negatively affects price—older cars tend to have lower resale value. Similarly, transmission type plays a role; cars with automatic transmission are priced higher than manual ones. Both these relationships were statistically significant, confirming their influence on pricing**.**

Other objectives were explored through summary statistics and visual patterns. Cars with single ownership were found to have noticeably higher average prices than those with multiple owners. This supports the idea that buyers associate first-owner cars with better care and reliability. Brand-wise analysis revealed that vehicles from brands like Mercedes-Benz and Mini retained higher resale values, while others such as Chevrolet and Tata had lower average prices. These differences likely reflect buyer perception of brand quality, reliability, and prestige. Seasonal pricing trends showed that used car prices typically rise during the first and third quarters, likely due to year-end purchases or festive demand, and fall during the second and fourth quarters, possibly offering better deals for buyers during those times.

While the findings provide useful insights, there are some limitations. The dataset was limited to the variables available on Kaggle and did not include factors like mileage, accident history, or servicing records, which can also affect resale value. The data represents a snapshot in time rather than a continuous trend, and the analysis was restricted to Excel, which limited the depth of statistical modelling and visualization. A more dynamic approach using tools like Python or R could add more value in future studies.

Overall, this research highlights how vehicle features and market behaviour influence used car pricing. The results can help both buyers and sellers make more informed decisions. Future research could build on this by using more detailed datasets, incorporating buyer behaviour, and comparing trends across regions or periods.

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