Value Co-Creation in Used-Car Auctions
A Service Scientific Perspective

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Outline

• Introduction
• Trends of used-car business
• Trends of Japanese used-car business
• Value co-creation model in used-car auctions
• Financial and non-financial values created in used-car auctions
• Conclusion
Introduction (1)

• Japanese used-car auctions market uses very advanced technologies. (Oh, 2009)

• Internet expands auction markets all over the world. (Oh, 2009)

• Electronic intermediary services increase the efficiency for search, contract formation and trade settlement. (Lee and Clark, 1996)
Introduction (2)

• Service is the application of knowledge and skills.  

(Vargo and Lusch, 2004)

• Used-car auctions play an intermediary role for interaction among consigners, dealers and customers.

• In service-dominant logic (SDL), value is always co-created jointly and reciprocally. 

(Vargo et al., 2008)
Objectives

• To describe the trends of Japanese used-car auctions;

• To design a value co-creation model for used-car auctions;

• To explore the co-created values in the used-car auctions.
In 2013, Japan exported 661,645 used-cars among top ten countries.

Used-car exports increased by 16.6% to 1.19 million units.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Number of cars</th>
<th>Ratio of increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>265,000</td>
<td>Up to 19.6%</td>
</tr>
<tr>
<td>Russia</td>
<td>159,000</td>
<td>Up to 9.6%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>132,000</td>
<td>Up to 3.4%</td>
</tr>
<tr>
<td>UAE</td>
<td>106,000</td>
<td>Up to 24.0%</td>
</tr>
<tr>
<td>Mongolia</td>
<td>34,000</td>
<td>Up to 10.3%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>26,000</td>
<td>Up to 10.3%</td>
</tr>
<tr>
<td>Philippines</td>
<td>26,000</td>
<td>Up to 8.4%</td>
</tr>
<tr>
<td>Georgia</td>
<td>22,000</td>
<td>Up to 134.2%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>19,000</td>
<td>Up to 139.7%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>15,000</td>
<td>Up to 99.2%</td>
</tr>
</tbody>
</table>
Japanese used-car auctions (1)

Share of Japanese used-car auctions market

**Major 6:**
- Toyota Auto Auctions (TAA, 9.6%)
- Japan Auto Auction (JAA, 8.8%)
- Chubu Auto Auctions (CAA, 6.4%)
- Arai Auto Auction International (Aria AA, 4.9%)
- Kyushu Chuo Auto Auction (KCAA, 3.2%)
- Light Auto Auction (LAA, 2.8%)
Japanese used-car auctions (2)

Business model of Japanese used-car auction

Providers (Members consigning vehicles)

Used Car Auction Companies (such as USS, Aucnet, JAA, JU)

Customers (Members submitting successful bids)

Consignment fees

Successful bid fees

Used vehicles

Information sharing

Contact completion fees

Payments for vehicles
Process of Japanese used-car auctions (1)

By the day before the auction
- Vehicle storage
- Inspection
- Vehicle registration

Storage/preliminary search

Auction day
- Preliminary search
- Preliminary inspection
- Auction/ Bidding
- Price adjustment
Process of Japanese used-car auctions (2)

Four days after the auction

Vehicle storage  Cost adjustment  Documentation
Value co-creation model in used-car auctions

Providers (Members consigning vehicles) → Institutionalized appraisals → Value proposition → Used-Car Auction Companies such as USS, Aucnet, JAA, JU) → Online inspection of the appraisals → Value proposition → Successfully bidding members company → Interaction → Co-operate customers (Domestic) → Interaction → Co-operate customers (Foreign)
Co-created economic values in used-car auctions

Economic values

- Selling of cars
- Consignment fees
- Contract fees
- Successful bids
- Risk reduction
Co-created non-economic values in used-car auctions

Non-Economic values

Networking
Cooperation
Sharing
Partnership

Regional development
Citizenship
Community engagement
Intellectual

Justice
Trust
Confidence
Respect

Others
Power
Speed
Environmental value
Conclusion

• This study shows used-car business in USA, Japanese used-car business and used-car auctions process.
• “On-site”, “satellite” or “internet or virtual” used-car auctions play an important intermediary role to facilitate the interaction among dealers, buyers, and sellers that ultimately co-create values.
• These interactions provide the co-creation of values at used-car auctions.
• It is a great opportunity to broaden the view of value co-creation in service science.
Future Research

• This research is conceptualized based on literature review. Therefore, further qualitative and quantitative research should be carried out.

• Value co-creation model is also based on our understanding. So, future case study or qualitative study should be conducted.

• The explored co-created values is also based on secondary sources, therefore further study is needed to justify these co-created values.
References


• J. Y. Oh, “IT-enabled business transformation-insights from Japanese used-car industry,” in Proc. of 3rd Int. Conf. on Dig. Soc., Cancun, 2009, pp. 223–228.


Thank You Very Much!