Competing in China’s Auto market—Sales and Marketing Strategies

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Qingjiu (Tom) Tao, Ph.D.,
Lehigh University
Agenda

• Overview of the Market
  • Basic Understanding of the Competitive Environment
• Latest Development
• Crisis? What Crisis?
• The Stimulus Plan
• Competitive Landscape
• Strategies in the play
• Focus on the Future
• The Bright Scenario
• The Dark Scenario
Overview of the Market

• Basic Understanding of the Competitive Environment
  • Still a Growth Market—Poised to the biggest market soon
  • Government Rules
  • Highly Intense Competition—Everybody is there and has to be there
  • New Energy Vehicles May be a Wildcard (76 models from 27 domestic firms)—heavy bets from all sides
China’s Emerging Automobile Market

Source: China Business Update, 2008, China’s Emerging Auto Market
Domestic Players Are Getting on the Stage

Source: China Business Update, 2008, China’s Emerging Auto Market
Evolution of Relative Market Share Among Major Auto Manufacturers

Latest Development

- Crisis? What Crisis?
- Production Volume and Growth in China’s Auto Market

Latest Development

- Crisis? What Crisis?
  - China as the Number one market in the world?
    - YES for the first quarter and April is looking good.
- Nobody is missing the Shanghai Auto Show
- Size: 170,000 square meter; 20% increase
- 1500 firms from 25 countries
- Biggest exhibitor? 5000 square meters
- Domestic Players will bring unprecedented new model debut to the show, among them, Geely, has 22 new cars under three new brands.
Latest Development

• **The Stimulus Plan**—March 20th, 2009-
  *Automotive Industry Readjustment and Revitalization Plan*

• **1. More consolidation**
  China has over 100 car companies, the government will try to consolidate the top 14 into 10 and take over 90% of the market

• **2. Support for Innovation, especially, New Energy Research**
  1.4 billion Dollars for Energy Efficiency and Hybrid/Electric Cars

• **3. Boost Demand**
  • More credit access for consumers (90% of the current purchase on cash)
  • Reduction of purchase tax from 10% to 5% for cars under 1.6 liters (this resulted in 19% jump in small car sales in January, surpassed the U.S. sales for the first time).
  • 730 million dollars subsidy for extending sales to countryside.
Latest Development

- Competitive Landscape (Top 10 Vehicle Sales in February 2009)
Latest Development

- Competitive Landscape (Top 10 Car Manufacturers/Market Share in First Quarter 2009)
Strategies in Play

- Multinational Firms—Maintaining the lead—for now
- The case of GM
- Multibrand Strategy—recognizing the diverse needs
  - four wholly owned brands, Buick, Chevrolet, Cadillac and Saab
  - Sold through different channels
  - Constantly launched new products in different sectors
  - R&D center in Shanghai
Strategies in Play

- State Owned Domestic Firms—Race to get bigger and stronger
- The case of SAIC
  - First mover in substantial consolidation
  - Partner of VW and GM
  - Attempt to establish independent design capabilities
  - Oversea Acquisition of Intellectual properties
  - Attempt to establish its own brands
Strategies in Play

- Private Domestic Firms—Finding the right niche
- The case of BYD
  - Established in 1995 as a new start-up battery producer
  - Became the second largest producer in the world in 2003
  - Stepped into auto business in 2003
  - 100,000 sold in 2007; 200,000 sold in 2008
  - Small displacement vehicles F3—the right niche at the moment
  - Electric Vehicles F3DM, E6—the promising niche for the future
Focus on the Future

• The Bright Scenario
• 2009 is the turning point for Chinese Auto Industry (#1 in production and sales in the world)
• Growth from under-developed areas
• Emerging competent domestic players
• Multinational firms will maintain their lead, but time to play defense
• Breakthrough in new energy technologies
• Price war will be replaced by quality, variety and service.
Focus on the Future

- The Dark Scenario
- Impact of stimulus plan maybe short-lived
- Oversea expansion becomes mission impossible due to global crisis
- Lack of breakthrough in new energy vehicle technologies
- Rush to expand on production/product offering may backfire
- Intensified domestic competition and a consolidation/shakeout period