



# China Automotive Finance Industry Report, 2016

Aug. 2016

## **STUDY GOAL AND OBJECTIVES**

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

## **REPORT OBJECTIVES**

- ◆ To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- ◆ To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- ◆ To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- ◆ To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- ◆ To help company to succeed in a competitive market, and

## **METHODOLOGY**

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications. Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

## **INFORMATION SOURCES**

The primary information sources include Company Reports, and National Bureau of Statistics of China etc.

## Abstract

Auto finance industry is flourishing in China with market size approximating RMB850 billion in 2015 and expected to rise by 17.6% from a year ago to around RMB1 trillion in 2016. Compared with mature markets like Europe, the United States and Japan that boast penetration rates above 50%, China's auto finance penetration rate is low, only 35% or so, indicating large room for growth. As those born in the 1980s and 1990s gradually become the key consumers of cars, changes in consumption habits will promote the development of automotive finance industry, boosting auto finance penetration rate in China to an estimated 50% in 2020.

The Chinese automotive finance market now is still dominated by commercial banks and auto finance companies which together seize a more than 80% share. The remaining less than 20% is shared by financial leasing companies, Internet finance companies and other institutions. However, propelled by favorable policies, these small players will see a further rise in their market shares.

By March 2016, there were 25 auto finance companies approved in China with total assets of RMB419 billion. These players lent a total of RMB391.06 billion in 2015, including retail loans of RMB305.15 billion (78%) and dealership loans of RMB84.05 billion (21.5%).

Among these 25 auto finance companies, several large foreign-funded enterprises including SAIC-GMAC, Volkswagen Finance (China), BMW Automotive Finance (China), and Toyota Motor Finance (China) are highly competitive with rich experience and solid financial strength. The four players booked net interest income of RMB3.8661 billion, RMB2.2921 billion, RMB1.9933 billion, and RMB1.7402 billion in 2015, respectively.

Driven by favorable policies, used car finance and Internet auto finance are ushering in opportunities for development.

Used car finance: Over 9.42 million used cars were traded in China in 2015. The ratio of trade volume of used cars to that of new vehicles was only 0.38, a greater gap compared with 1.5 in foreign countries, indicating a huge potential. This attracts not only traditional auto finance-related companies but also Internet giants (like Bitauto, Tencent, JD, and Alibaba) to make their presence in the segment.

The promulgation of the Opinions on Promoting Convenient Transaction of Used Cars not only regulates used car transaction markets but also increases support for used car transaction credit and lowers credit standards, thus fueling the development of used car finance. The Chinese used car finance market will be gradually opened.

Internet auto finance: Auto finance industry in China has moved into an “Internet Plus”era. Thanks to a series of measures put forward in the Guidance on Promoting the Healthy Development of Internet Finance to encourage Internet finance platform, product, and service innovation and local governments’ support for Internet finance, China’s “Internet + auto finance” is embracing opportunities.

While traditional auto finance-related companies combine their original auto finance business with Internet, the Internet giants like Alibaba, JD, Bitauto, and Autohome also branch out into auto finance sector.

China Automotive Finance Industry Report, 2016 highlights the followings:

- Global auto finance industry (development environment, status quo, development of auto finance in various countries, competitive landscape, etc.);
- Auto finance industry in China (development environment, status quo, market size, competitive landscape, development trends, etc.);
- Chinese auto finance market segments (auto financial leasing, used car finance, and Internet auto finance) (development status, policy support, competitive landscape, etc.);
- 12 OEM-related auto finance companies, 4 auto finance-related dealers, and 7 other auto finance-related companies (profile, auto finance business, etc.)

## Internet Auto Finance Cases of Internet Giants in China

| No. | Company  | Presence  |
|-----|----------|---|
| 1   | Alibaba  | On the one hand, launched "Instant Automobile Financing" to allow customers to apply for loans online, and, on the other hand, teamed up with China Grand Auto to set up O2O financial leasing platform to provide consumers with integrated online & offline new car and used car loan services. |
| 2   | JD       | On the one hand, invested in Internet auto finance company- Yixin Capital, and, on the other hand, released "Car Reservation" in which users can achieve seamless connection between the money for car purchase and wealth management services via "car purchase + wealth management" model       |
| 3   | Bitauto  | Jointly founded Yixin Capital (focusing on Internet auto finance platform) with JD and Tencent. The platform provides car buyers with online services and financial institutions with O2O operation services by operating chedai.yiche.com and chedai.jd.com.                                     |
| 4   | Autohome | Entered strategic partnership with China Grand Auto to leverage their respective distinct advantages and resources to jointly explore integration and transformation of car distribution service industry in an era of "Internet Plus"  |

Source: China Automotive Finance Industry Report, 2016 by ResearchInChina

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