



China Automotive Distribution and Aftermarket Industry Report, 2020-2026

Feb.2021

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

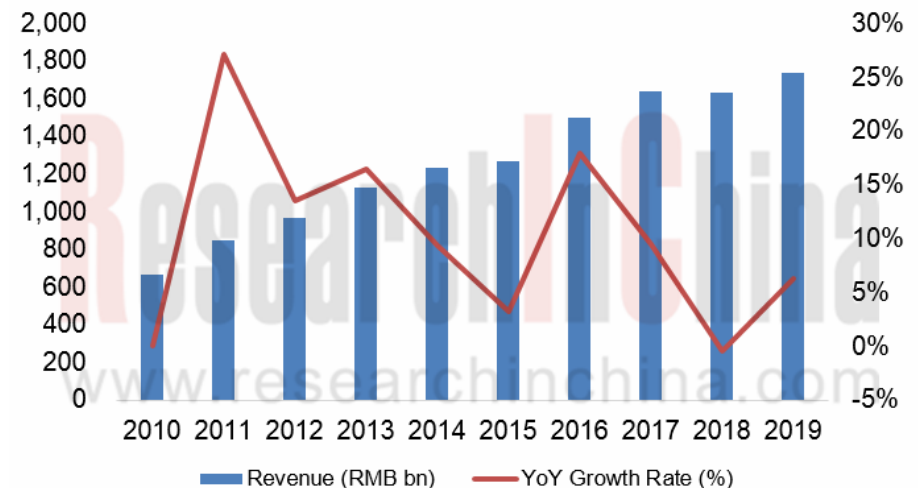
The primary information sources include Company Reports, and National Bureau of Statistics of China etc.

Abstract

Since 4S store model was introduced in China at the end of the 20th century, China's authorized dealer system has made a shift from single stores to corporate operation and from extensive management to fine management. For the upstream raw materials, components suppliers provide an array of components to automakers; at the midstream end are automakers which take on design, R&D, manufacture and branding; dealers are downstream players responsible for selling new vehicles and offering aftermarket services. In the whole industry chain, automakers that manage dealers by authorization and rebate policy play a dominant role and have a big say.

In 2019, China produced 25.72 million automobiles and sold 25.77 million units, down 7.5% and 8.2% on the previous year, up 3.3 and 5.4 percentage points, separately, according to the China Association of Automobile Manufacturers (CAAM). China's automobile circulation industry faces unprecedented challenges as the automobile market is getting through an ever-colder winter. The automotive distribution industry however performs well as a whole. The data from the China Automobile Dealers Association (CADA) shows that in 2019, the top 100 dealers reported a combined output value of RMB1.74 trillion, up 6.3% compared with RMB1.63 trillion in 2018; their total asset investment was RMB802.4 billion, 5.7% less than in 2018 (RMB851.1 billion). In 2019, there were a total of 6,038 4S outlets in China, down 7.5% versus 2018 (6,529); total employment was 420,000 persons, a reduction of 10.6% from 470,000 in 2018.

Total Revenue of TOP100 Automobile Dealers in China, 2010-2019



Source: CADA, ResearchInChina

Emerging automakers adopt branding sales models and channels differing from the nationwide dealership model of conventional auto brands, changing from dealership model to direct operation of chain stores by auto brands or their cooperation with authorized dealers. The direct sale model offers totally different brand experience by providing full life cycle services for users, which serves as a solution to drawbacks of the common dealership model, such as non-transparent price and bad user service experience. Yet this model with some disadvantages like enormous investment and complicated operation process does not apply to all new energy vehicle manufacturers. 4S stores still need to shake up their service and profit structures even if they continue to employ the dealership model.

Sales Models of Major Emerging New Energy Vehicle Manufacturers

	NIO	Xiaopeng Motors	Weltmeister	Leading Ideal
Sales Model	Direct sale	50% direct sale +50% franchise	Franchise as the main + direct sale as the supplement	Direct sale
Number of Physical Outlets (as of Jun. 2020)	136	163	121	102
Composition of Outlets (as of Jun. 2020)	23 NIO House outlets, 113 NIO Space outlets	115 experience stores, 48 service centers	23 Space experience halls for exhibition, 84 Store user centers for test drive, 14 Station service homes for charging and maintenance	36 retail centers and exhibition halls, 21 delivery and maintenance centers, 45 authorized sheet spray centers
Number of Provinces/Municipalities Available	26	23	25	28
Characteristics	NIO House is NIO's flagship store for building brand image; NIO Space is its small offline experience store easy to enable rapid expansion of marketing network with low investment; for outlet deployments, NIO revs up penetration in the second- and third-tier cities compared with Tesla which still makes layout in the first-tier cities.	The carmaker adopts a prudent business strategy: as well as establishment of direct sale stores in the first-tier cities, it has rapidly tapped the markets in second- and third-tier cities step by step since May 2019, with a new model of "franchise for sale + directly operated aftermarket" in which direct sale stores still sweep over 50%.	Franchise stores are the main marketing force supplemented by direct sale stores.	Adopt 100% direct sale model, and open physical direct sale stores in addition to online sales.

Source: ResearchInChina

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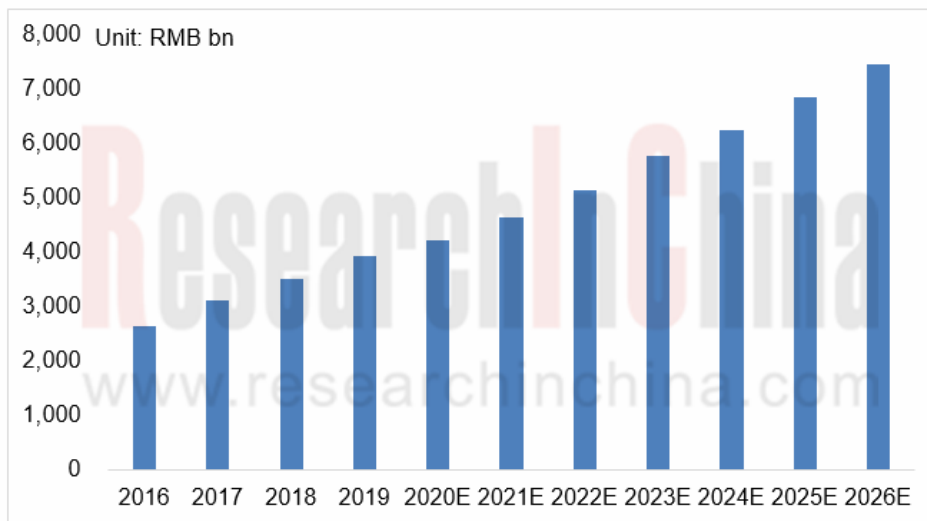
Automobile aftermarket refers to all the car-centric services needed by consumers in the period from post-sale to scrap. The growing aftermarket, especially maintenance and repair segment is accompanied by aging vehicles. That's because the older the auto parts, the more frequent repairs they need and the more they cost. In current stage, the average vehicle in China is 5 years old, and those aged 4-10 seize over 58%. Vehicle aging, and increasing ownership are dual effective booster to prosperity of the aftermarket, making it a new industrial hotspot. The industry will usher in a boom period.

Automobile aftermarket involves maintenance and repair, auto finance, used car, rental, accessories, beauty and refit, recycling, and aftermarket alliance platform integration/car e-commerce, among which auto finance, maintenance & repair, and used car are the top three segments.

Used Cars

Factors such as household demand, profession, consumer preferences, etc. will prompt car owners to replace or resell their cars in the circulation market through used car dealers, used car e-commerce platforms and other channels. In recent years, the state and local governments will make more efforts to promote automobile consumption with favorable measures which will drive used car consumption and fuel Chinese used car market to grow with larger scale of transactions. In 2020, China saw approximately 14.34 million used cars transacted, with the estimated value of RMB888.8 billion. Although the annual transaction volume dropped by 3.9% in the entire 2020 due to the epidemic, the domestic used car transaction volume experienced consecutive growth from March to December. In the future, the used car market is expected to occupy more market share in the automotive aftermarket.

China's Aftermarket Size, 2016-2026E



Source: ResearchInChina

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Repair and Maintenance

In the context of high ownership, aging of vehicles and changes in the maintenance concept, the auto repair and maintenance market continues to swell. The annual repair and maintenance cost increases year by year as vehicles become older, because the number of repairs and the expenses of each repair for old and worn auto parts jump each year. Learning from the experience of developed countries, China is about to see the demand for repair and maintenance hit the peak. In the past ten years, automobile sales volume has been impressive while the growth of new car sales volume has slowed down. In the future, the average vehicle age will continue to rise, which will boost the auto repair and maintenance industry into a golden age. The scale of China's auto repair and maintenance had reached approximately RMB1,332 billion as of 2019, and is expected to hit RMB2,458 billion by 2026, surpassing the auto finance market to rank first in the aftermarket. Amid the anti-monopoly, independent auto repairers are gradually eroding the market share of traditional 4S stores. With the help of the "Internet +" model, the independent repair model will develop more radically.

Auto Finance

Auto finance refers to a variety of financial products for companies, individuals, governments, automotive operators and other entities. It centers on automotive OEMs, stretching to the upstream and downstream of the industry, and eventually to end consumers. Typical auto finance products include dealer inventory financing, auto consumption loans, auto leasing and auto insurance. In recent years, the overall penetration rate of China's new car finance has ascended year by year, like 43% in 2019. According to the proportion of cars involved with financial products, the loan penetration rate is about 35% and the financial leasing penetration rate 8%, meaning loans still lead by a high margin. Compared with mature markets in Europe and America, China's auto finance market for new cars has enormous potentials. As terminal consumption upgrades and credit is widely accepted, auto finance will witness further growth. The car sales volume has fluctuated and the growth rate of the auto finance market has slowed down (about 20%) since 2017, but the momentum of auto finance is more robust than the trend of the car sales volume. In 2019, the overall scale of China's auto finance market reached approximately RMB1.58 trillion, of which licensed auto finance companies accounted for approximately 50%.

China Automotive Distribution and Aftermarket Industry Report, 2020-2026 sheds light on the followings:

- ◆ Introduction to the automotive distribution industry and aftermarket, including definition, classification, industrial chain, business models, etc.;
- ◆ Global and Chinese automotive distribution market scale and forecast, including total automobile sales volume, dealer networks, dealers' automobile sales volume, competitive landscape, new energy vehicle sales models, etc.;
- ◆ Automotive aftermarket segments, including market size and forecast, competitive landscape, industry trends, etc. of auto finance, used cars, repair & maintenance, beauty, etc.;
- ◆ Profile, business analysis, brand agency, business networks and marketing of major auto dealers in China.

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