

Secrets to Tackle the Automotive Market's Shift



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After being the world's No.1 in 2009 and 2010, the Chinese automotive market is now facing a totally different situation. The ever-widening European Debt Crisis, the continuous gloom in the global economy, the interim shortage in auto supply caused by the Japanese earthquake and the withdrawal of the government stimulus policies one after another, all this brings an end to the "good days" of the Chinese automotive market. Slowly, the automotive industry is walking away from the time of reliance on government policies.

Facing this kind of market shift, what the automakers in China should consider immediately is how to make good use of this world's largest auto market to adapt themselves to the market shift.

Firstly, at the R&D section, the front end of the automotive industry chain, those able to produce Chinese-consumer-desired models that meet Chinese people's taste and car-using habits will take a favorable position in the future competition.

From wheelbase extending, platform customization to localized self-made brand launch, foreign automakers and JVs have made special efforts to realize localization over the past few years. All these moves are well received by Chinese consumers. In today's market, Passat remains a classical model, Laida continues to take the lead in sales, and New Sail and Baojun are still active players. Many international auto giants (e.g. Toyota, Audi and Honda) have set up their technology centers in China. However, most new models are either models on paper or models directly introduced from overseas and labeled with "U.S. /European version". In other words, they are far from "Made-for-China". No wonder, there is a cry for the "Steve Jobs" of the Chinese automotive industry.

Secondly, there are still hidden risks behind the "rosy" sales rankings. Some automakers who have too simple product lines may suffer greatly from the market shift, because the days where automakers can achieve good sales with only one or two best-selling models have already gone. Take this year's auto sales for example. SUV models have achieved sales growth despite the dejecting market atmosphere, with SVW Tiguan, Beijing Hyundai ix35 and Dongfeng Nissan Qashqai making great contribution to their own makers' sales. This has raised "jealousness and animus" among the automakers that have no such product line. Therefore, improving and enriching product lines in an appropriate time may be a way for some automakers to go out of the current plight.

Last, automakers should also consider China's reality when they plan their dealership networks. Now China has become the World's largest auto market and the sales networks are being expanded to tier-3 and tier-4 cities. Then, shouldn't we improve the traditional 4S model according to China's reality? Dongfeng PSA and SGM have set up dual-brand dealers in some regions, effectively easing the shortage in human and land resources. What's more, in tier-1 and tier-2 cities, where the car population approaches the limit, automakers should give more consideration to their service scope and content. Dongfeng Nissan's "City New Express", FAW Toyota's "After-sales Service Car" and SAIC's "House-call service" are all good attempts.

Now the time of automakers' reliance on government policies has gone. Who will continue to take the superiority and who will become a "black horse", all this will depend on automakers' own strength. If we design a coordinate system with brand image as height, product lines as width and dealership network as depth, and position automakers in this system according to their performance, we will see each automaker's development trends clearly.

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