

# ***A Strategic Assessment of China's Light Passenger Vehicle Aftermarket***

***5th Edition***



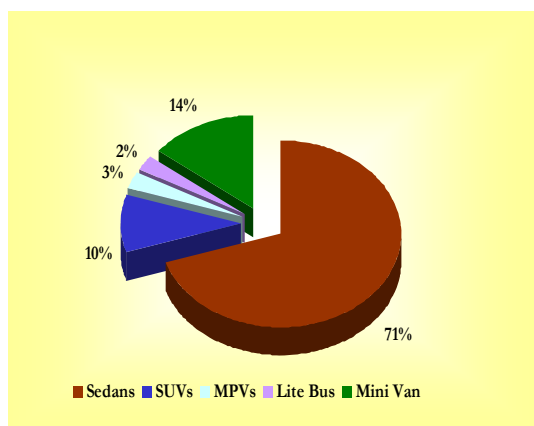
**For Multi-client Sponsorship**  
***(Fall 2009)***

Prepared by Technomic Asia  
China Office  
Room 502, Jin Tai Building  
58 Mao Ming Road (South)  
Shanghai 200020, China  
Tel: +86-21-6473-2588  
Fax: +86-21-6390-6659  
<http://www.technomicasia.com>

## Introduction

**China's automotive industry**, despite some slowdown in growth in 2008, has accelerated rapidly in 2009 based on government stimulus and a recovering economy. The market is expected to show sustained double digit growth over the next five years. The explosive growth of the last 5 years has created an increasingly sizeable and diverse aftermarket which has now gotten the attention of the world's leading parts and service suppliers. The aftermarket's profile is quickly changing as higher quality cars are taking the main share of the car parc. To support this growth and shift in vehicle make-up, the aftermarket structure and key players will also change dramatically. This growth and dynamism is offering attractive opportunities to foreign companies which will only expand going forward.

### Light Passenger Vehicle Sales 2008



Vehicle Type	2008 Sales	% Total	> Over 2007
Sedan	5,130,914	71%	6%
SUV	726,216	10%	48%
MPV	229,140	3%	-5%
Total PC	6,086,270	84%	9%
Light Bus	171,391	2%	-4%
Mini van	1,059,229	14%	8%
<b>Total Pass Vehicles</b>	<b>7,316,890</b>	<b>100%</b>	<b>9%</b>

### Other dynamics...

- Shift to **private ownership** from company or government...will have major impact on service requirements, car care and service source.
- Significant **model proliferation** based on new foreign entrants, upgrades of existing models and local vehicle maker expansion.
- **Foreign entrants** at multiple levels of the supply chain, from vehicle makers to parts suppliers, service providers and distribution companies.
- Evolution of **branded / all-makes parts**, as an alternative to genuine, substitute or fake parts.
- Trend to **localization** of parts supply and enhanced price competition.
- Multiple dynamics in the **supply chain** at all levels making channel strategy critical to success.

**...as a result, the aftermarket will receive significantly more attention as it reaches viable scale and more attractive vehicle composition.**

### About Technomic Asia

Technomic Asia, a division of Tompkins International ([www.tompkinsinc.com](http://www.tompkinsinc.com)) is a business strategy and supply chain consultancy with more than 25 years of experience helping clients plan and execute Asian growth and operational strategies. Technomic Asia assists companies in entering the Asian market or in expanding their business by providing critical market insight, an understanding of business potential and assistance in designing the optimum strategy for success. Technomic Asia's Steven Ganster and Kent Kedl are co-authors of "The China Ready Company," a book that details the process to develop a successful China strategy. Please visit our website at <http://www.technomicasia.com>.

## Need for Analysis

### The need for objective, quality market insight is apparent...

- Available market data is inconsistent, poor quality and hard to obtain.
- As the market grows rapidly, the need to have a solid picture of the existing base market as a forecast reference will be critical.
- Intelligent and experienced analysis is required.

### Recognizing this need among its client base, Technomic Asia has developed a special report on China's automotive aftermarket now in its 5<sup>th</sup> and enhanced edition, which...

- Provides a logical and clear description of the aftermarket structure in terms of parc, vehicle segmentation and forecasted growth.
- Quantifies current market size by key areas such as maintenance & light repair, collision, and major repairs.
- Employs a detailed and build up approach to quantifying and segmenting the market at multiple levels.
- Portrays the current and evolving service and parts distribution structure as well as key dynamics.
- Develops a logical forecast to 2012 by vehicle and aftermarket business segment.
- Presents this insight in a strategic, management oriented format which can be readily used as a planning tool.

### As a multi-client format, this report provides a very cost effective means of building a foundational market perspective for your ongoing planning initiatives.

## Program Scope

The scope of the program will cover the following aftermarket segments and parameters.

<b>Vehicles</b>	Light passenger vehicles (sedans, SUVs, MPVs, light buses and mini vans), with detailed segmentation into six vehicle categories: <ul style="list-style-type: none"> <li>• Small Sedan (e.g. Chery QQ)</li> <li>• Mid sized sedan (e.g. Excele)</li> <li>• High end sedan (e.g. Teana)</li> <li>• Luxury sedan (e.g. BMW 5 series)</li> <li>• Light bus (e.g., Jinbei)</li> <li>• Mini van/bus (e.g. Wuling)</li> </ul>
<b>Vehicle Age</b>	Parc segmented into 3 age groups: <ul style="list-style-type: none"> <li>• 0 to 3 years</li> <li>• 4 to 9 years</li> <li>• &gt;9 years</li> </ul>
<b>Channels</b>	Full supply chain from parts production to end consumers with both current and future dynamics
<b>Geography</b>	National China with segmentation by 31 provinces and municipalities
<b>Parts &amp; Services</b>	Maintenance & light repair (MLR), collision, other major and minor repair categories (accessories and car care excluded)
<b>Timeframe</b>	2008 as base year for quantification and forecasts to 2012

## Objectives and Methodology

### **This report will address the following key topics:**

- An insightful and concise **snapshot of China's economy**, investment environment, entry considerations and related issues to serve as a backdrop for assessing the automotive aftermarket.
- An historic and forecasted **growth outlook for China's light vehicle market** in terms of vehicle types, drivers/constraints, ownership, etc., which will serve as a foundation for developing a picture of the aftermarket.
- Summary view of the **total parts and service aftermarket market**, covering size, segmentation, parts types, key players, growth and trends.
- A detailed assessment of **China's automotive parc** in terms of size, vehicle composition, age and future growth including detailed segmentations.
- A description of the **maintenance and light repair service market**, including services provided, frequency, pricing, value, etc. Current and forecasted 2012 value by vehicle and service type will also be provided.
- A description of the **collision repair market** covering the insurance market, accidents rates, service providers, repair types/costs, service value, etc. Current and forecasted 2012 value by vehicle type will also be provided.
- A description of **"other" major and minor repairs** covering the engine and other major overhauls as well as minor "spot" repairs. Current and forecasted 2012 value by vehicle type will also be provided.
- An evaluation of the **parts distribution and supply chain structure** describing value chain, all key player groups, auto parts cities, pricing characteristics and future dynamics.
- Perspective on key **opportunities and challenges** facing players in China's automotive aftermarket over the forecast period with recommended key strategic issues to consider.

---

### **To develop the insight in this report, a multi-pronged methodology was implemented covering both primary and secondary research.**

- Comprehensive secondary research covering published material, on-line sources, etc.
- Government bodies at both the national and city levels
- Industry associations such as:
  - China Automotive Maintenance & Repair Trade Association
  - All China Federation of Industry & Commerce Auto Parts Chamber of Commerce
  - China Auto Parts Market Alliance
  - China Auto Parts Marketing Association
  - Shanghai Automotive Parts Circulating Trading Association
- Direct interviews with multiple levels of the value chain, covering:
  - Domestic parts makers
  - International parts makers
  - Garage chains
  - Parts distributors
  - International service and car care providers
  - Leading vehicle makers
- Leading local insurance companies, e.g. PICC, Pacific, Ping An

**Market quantification** will be provided by year and vehicle category. Parc data is developed by an analysis of vehicle sales over a 20 year period considering average life spans.

## Table of Contents

<b>Executive Summary</b>	10
<b>I. Introduction</b>	
o Objectives	14
o Methodology	15
o Market Segments	16
o Vehicle Group Definitions	17
o Small Sedan Examples	20
o Mid-sized Sedan Examples	21
o High End Sedan Examples	22
o Luxury Sedan Examples	23
o Vehicle Groups – Light Bus	24
o Vehicle Groups – Mini Van	25
o Report Organization	26
o Definitions and Abbreviations	27
o Perspective on Findings	29
<b>II. China Country Snapshot</b>	
o A Mixed Profile	31
o Why China	32
o Key Indicators	33
o Evolution	34
o Major Challenges	35
o Near-term Outlook	36
o Entry/Expansion Indicators	38
o Mid-term Outlook	39
<b>III. Auto Market Outlook</b>	
o Introduction	41
o Highlights	42
o 2008 Sales	43
o Historical Growth	44
o Forecast Growth	47
o Sedan Growth	51
o Sedan Players	52
o Small Bus Growth	53
o Small Bus Players	54
<b>IV. Aftermarket Overview</b>	
o Introduction	57
o Market Size Assumptions	58
o Level of Development	59
o Market Structure	60
o 2008 Market Size	61
o By Repair Type	62
o By Vehicle Group	63
o By Age Group	64
o Service by Vehicle Group	65
o Service Spend	66
o Spend by Vehicle Group	67
o Parts Types	68
o Parts Supplier Types	71
o Growth Drivers	73
o 2012 Market	74
o Shifts in Segmentation	75
o Shifts in Age Group	76
o Future Service Spend	77

## Table of Contents

<b>V.</b>	<b>China's Light Passenger Vehicle Parc</b>	
	o Introduction	79
	o Assumptions	80
	o Overall Vehicle Parc	82
	o 2008 Light Vehicle Parc	83
	o 2008 Sedan Parc	84
	o 2008 Parc by Age	85
	o Age by Vehicle Group	87
	o Geographic Dispersion	88
	o Forecast Assumptions	89
	o 2012 Parc Forecast	90
	o Forecast by Sedan Type	91
	o 2012 Forecast by Age	92
	o By Major Car Company	94
	o By National Base	95
	o Future Trends	96
<b>VI.</b>	<b>MLR Market</b>	
	o Introduction	99
	o Overview	100
	o Definition of Services	101
	o Key Assumptions	102
	o Service Costs by Age	103
	o Annual Service Costs	106
	o Total Market Value in 2008	107
	o Segmentation	108
	o 2012 Forecast	109
	o Forecast by Vehicle Group	110
	o Shifts in Segmentation	111
	o Shifts in Age	112
	o Key Trends	113
<b>VII.</b>	<b>Collision Repair</b>	
	o Introduction	116
	o Driving Environment	117
	o Road Infrastructure	118
	o Motor Insurance	119
	o Insurance Policy	120
	o Claim & Repair Process	124
	o Key Assumptions	126
	o Types of Collision Repairs	128
	o Costs of Collision Repairs	129
	o Market Calculation	130
	o 2007 Market Size	131
	o Repair Providers	133
	o Forecast Assumptions	135
	o 2012 Forecast	137
	o Forecast by Vehicle Group	138
	o Forecast by Age	139
	o Key Trends	140

## Table of Contents

<b>VIII.</b>	<b>Other Repair Segments</b>	
o	Introduction	142
o	Scope of Repairs	143
o	Frequency by Repair Type	144
o	Major Repairs/Overhaul	145
o	Minor Repairs	148
o	Annual Average Vehicle Spend	151
o	2008 Market Size	152
o	Segmentation by Age	153
o	2012 Market Forecast	154
o	Forecast by Vehicle Group	155
o	Shifts in Vehicle Share	156
o	Shifts in Age	157
o	Key Trends	158
<b>IX.</b>	<b>Supply Chain</b>	
o	Introduction	160
o	Evolution of Structure	161
o	Channel Characteristics	162
o	Channel Structure	163
o	Aftermarket Players Roles	164
o	Typical Approach	166
o	Consumer	168
o	Parts Suppliers	169
o	Production & Trade	171
o	Repair & Service Shops	173
o	Auto Dealers	176
o	4S Shops	178
o	Dealer Groups	180
o	Service Chain Shops	182
o	Tire Shops	184
o	Distribution Models	185
o	Distribution Roles	186
o	Major Distributors	187
o	Distribution Center – Auto Parts Cities	188
o	Distribution Trends	192
o	OES vs. IAM	193
o	Pricing Characteristics	195
o	Logistics	198
o	Market Trends	200
<b>X.</b>	<b>Perspective on Opportunities &amp; Challenges</b>	
o	Introduction	202
o	Attractiveness Scale	203
o	Strategic Issues	204
o	Addressable Market	205
o	Distribution Approach	207
o	Other Issues	209

Report Costs and Format

The cost of this report is US\$2,900 (RMB 20,700 including business tax). Alternatively, an "abridged" version of the report, covering Sections I-V and IX, is available for \$900 (RMB 6,400).

Payments are to be made by check, wire or credit card to:

<b>In US\$ by wire:</b>	<b>Technomic Consultants Int'l (S) P L</b> <b>USD Account No. 243-041712178</b> <b>Bank: HSBC, Tanglin Branch</b> <b>6 Claymore Hill #01-00 Claymore Plaza</b> <b>Singapore 229571</b> <b>Bank Code: 7232</b> <b>Swift Code: HSBCSGSG</b>
<b>In US\$ by check:</b>	<b>Payable to: Tompkins Associates, Inc.</b> <b>Mail to: Attn: A/R Department</b> <b>Tompkins Associates</b> <b>6870 Perry Creek Road</b> <b>Raleigh, NC 27616</b>
<b>Credit card:</b>	Go to <a href="http://www.technomicasia.com/auto">www.technomicasia.com/auto</a>
<b>In RMB by Check/Wire:</b>	苏州得亚管理顾问有限公司上海分公司 开户行: 上海市工商银行久事复兴大厦支行 人民币帐户: 1001200309162022796

**The report deliverables will be provided as follows:**

- One (1) copy of a flip chart style, bound report (more copies can be provided for an additional fee)
- An electronic PDF file by e-mail

**Yes, I want to purchase the report "*A Strategic Assessment of China's Light Passenger Vehicle Aftermarket-5<sup>th</sup> Edition*" (specify Full or Abridged version). Send me an invoice to:**

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Company:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Send by:**

**Fax:** \_\_\_\_\_

**E-Mail:** \_\_\_\_\_

For more information on purchasing the report, "*A Strategic Assessment of China's Light Passenger Vehicle Aftermarket-5<sup>th</sup> Edition*", please contact in Shanghai, Jessie Hu at [jessiehu@technomicasia.com](mailto:jessiehu@technomicasia.com) or call 021 6473-2588. In the USA, Angellia Boey at [aboey@tompkinsinc.com](mailto:aboey@tompkinsinc.com) or call 919 855-5437.