

Sinotrust Reviews the Development of Auto Industry over the 60 Years of New China

Beijing, October 14, 2009----Starting from scratch, China's auto industry has reached a scale of annual production of over 10 million units with 60 years of development. Owning a car is no longer a dream to Chinese ordinary family. It is forecasted that China will register an auto production volume of over 12 million in 2009. The rapid growing industry has become an important integral part of national economy. On October 14, Hui Yumei, Research Manager of Sinotrust Automotive Industry Research, reviewed the development of Chinese auto industry over the 60 years on October Symposium on Auto Policy and Market.

Domestic automakers with increasingly larger scale

Starting from scratch, the Chinese automakers have been through many stages on the path of development. From self-reliance to opening doors to foreign capital, from state-owned enterprises to joint-venture companies and then to private companies, automakers of various types have been developing at a rapid pace. Overall, Chinese auto industry has gone through the following 6 stages, namely preparation, construction, production, exploration, rapid growth and expansion

In the early years of new China, Chinese auto companies began to start off with the help of USSR. In August, 1949, the preparatory office was established. In 1953, First Automobile Works (FAW) was founded, signifying a new chapter in the history of Chinese auto industry. Following the founding of FAW, other auto plants, including SAIC, Nanqi, Beiqi and Second Automobile Works (SAW), were established, making the fleet of automakers larger and stronger. With reference to foreign models, Chinese automaker embarked on the road of self-reliant product research and development.

In 1979, Beiqi and Chrysler started joint-venture negotiation, symbolizing Chinese auto industry had opened doors to foreign automakers. Following the track, more joint-venture automakers, including Beijing Jeep, SVW and SGM, were established. Entering the market economy era, Chinese auto industry kept exploring and growing by learning management experience and professional technologies from foreign peers.

In 1997, a private automaker, Geely, inserted new vitality to Chinese auto market. At the same time, a new wave of joint-venture swept through the industry. The state-owned automakers, private automakers and joint-venture automakers began to grow should by shoulder.

Entering the 21st century, automobiles becomes affordable to ordinary households. Driven by the explosive growth of market demand, automakers began to expand their production capacity. In 2005, the Second Plant of Great Wall Motor with capacity of 100 thousand vehicles each year started production, and its sedan production base with annual capacity of 200 thousand started construction. In 2006, the Second Plant of Shenlong Motor started construction. In 2007, Jetta produced in FAW-VW Chengdu Plant rolled off production line, and the Second Plant of Dongfeng Yueda Kia began production. At the same time, in order to become stronger and bigger, merger and acquisition among automakers set in. In 2008, SAIC acquired Nanqi. In 2009, Guangqi acquired Changfeng and entered into joint-venture with Fiat Group.

In 2009, Chinese automakers began to go global and acquire international brands, demonstrating Chinese auto industry and automakers have already become strong.

Technology: From part production to cutting-edge technology

With the rapid development of Chinese auto industry, Chinese auto technology also witnessed a giant leap. Since the founding of the People's Republic of China in 1949, Chinese auto technology development has experienced 5 stages. 1949-1955, China was only able to produce small quantity of auto parts to meet the requirement of vehicle repair. 1956-1978, cross-country vehicles and mid-duty cargo vehicles were produced dominantly based on USSR technologies. 1979-1998, some automakers developed a series of new products which was welcomed by the market. Those products were mainly minivans and cargo vehicles.

During the 10 years from 1999-2007, domestic automakers built R&D team and developed core part production technology of their own, and are able to develop whole vehicles. Meanwhile, foreign companies kept enriching their product portfolio and introduced new technologies to China. After 2008, foreign automakers established R&D centers to develop technologies in China. At the same time, domestic brands have been growing fast, and domestic private automakers have basically gained the capability to develop whole vehicles.

Chinese auto consumption: from production material to household consumption good
Until 2002, commercial vehicles had been dominating Chinese auto market, accounting for 63.5% of the sales volume. However, with the rising of family car consumption in recent years, passenger cars have taken the place of commercial vehicles, becoming the dominator in the market. In 2008, passenger cars have taking up 72% of the total vehicle sales volume. And in the future, the share may continue to rise.

With 60 years of development, the function of vehicles has changed dramatically. At the beginning of New China, automobiles were production materials, serving state construction and national defense. Most of the automobiles back then were trucks and cross-country vehicles. After China adopted the opening and reform policy, the government became the main auto purchasing power. Sedans became a symbol of social status. With the rising of people's living standard, automobiles have gradually shifted their roles as production materials to become transportation tools for ordinary households.

Higher global status, higher technology

The attitude of international automakers on Chinese auto market has changed. At the beginning, only outdated models were introduced to China on a pilot basis. However, now they have shifted their strategic focus to China, and began to launch products in China simultaneously as in other countries across the globe. The vehicles in China are becoming increasingly hi-tech.

Volkswagen is one of the automaker entered into joint venture with Chinese counterparts. In 1985, the first VW model, Santana, was introduced to China. It is the second generation of the nameplate, Santana B2, which was born in 1980 and introduced to China 5 years later. And the Santana 2000 launched in 1996 was developed on the prototype of the Santana B3, a model born in 1988 in Brazil. The stories demonstrate the position of Chinese market in VW global strategy in the past. In 2000, Passat, which was born in 1996, was introduced to China with 4 years of time lag. In 2007, Magotan, whose prototype B6 was launched in 2006 in overseas market, was introduced to China, with the time lag narrowed to only 1 year. With the increasing status of Chinese market, more and more Chinese elements are included in vehicle design. For example, Neeza, the SVW concept car, has the narrow up-tilting headlamp design based on the eyes of Neeza, a character in Chinese folklore. Also, the Chery A5 with design based on Beijing opera mask, Geely Panda, a model full of Chinese characters both in terms of name and design, as well as the design of long-wheel base luxury models are all demonstrations of automakers' high attention on Chinese elements.

Domestic brands are rising. The shares of vehicles with different country of origins are constantly changing

When analyzing the competition landscape, it is found that the shares of vehicles with different country of origins are changing. In the past, German cars are dominating the market with market share of 46.7%. However, now the market is shared equally among competitors. Chinese domestic brands are becoming increasingly competitive, achieving market share of nearly 30% on the market of narrowly-defined passenger vehicles.

Domestic brands are extending their product line. Their products are becoming more and more competitive. Domestic automakers have shifted from copying the design of foreign models to self-reliant product development, and from manufacturing low-end models to high-end models.

During 2001-2008, Chinese auto demand increased by 21.8% each year, far exceeding the global average of 2.7%. In global auto sales, China's share has increased from less than 5% in 2001 to 13.6% in 2008. So far, Chinese auto market has become the second largest in the world. Meanwhile, it is the most dynamic and promising market around the globe.

About Sinotrust Automotive Marketing Solutions

Sinotrust is a leading supplier of marketing solutions to the Chinese automotive market. With offices in Beijing, Shanghai and Guangzhou, we have a team of over 200 skilled professionals devoted to our automotive marketing solutions. Our Automotive Marketing Solutions integrate information, services and technology to provide marketing research services, marketing consulting & business strategy services and database marketing services, helping automotive companies position their products correctly, identify target markets accurately and conduct effective marketing so as to develop sustainable and profitable customer relationship.

About Sinotrust

Sinotrust is a leading supplier of marketing solutions and credit solutions in China. We collect, analyze and manage information about markets, consumers and businesses to provide marketing research, business information, consulting and database marketing services through integration of information, services and technology. Our products and services help you make better marketing and credit decisions and develop profitable customer relationships.

Over 80% of the Fortune 500 companies operating in China are using different products and services of ours. We employ about 1,000 people in our offices in Beijing, Shanghai and Guangzhou, supporting organization clients from automotive, financial services, insurance, retail, telecommunications, IT, manufacturing, consumer products and trade sectors.

At the beginning of 2007, Experian, the global leader in providing information, analytical and marketing services, made a strategic investment in Sinotrust with both capital and know-how. The investment will greatly improve our service capabilities.

