# China Automotive Distribution and Aftermarket Industry Report, 2019-2025

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## 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

Spurred by downstream demand, China's automobile production and sales sustained solid growth during 2011-2017, making a new high record in 2017. As the car sharing market is expanding apace, China just produced 27.81 million automobiles and sold 28.08 million units in 2018, both declining from the year before, by 4.2% and 2.8%, respectively.

In the meantime, the trading volume of used cars in the Chinese market has been rising over the years, reaching 13.82 million units in 2018, 11.5% more than in the previous year.

China's automotive distribution and aftermarket industry features intense competition and a scattered pattern. In 2017, the top 100 auto dealers in China sold a total of 8.48 million units, occupying a mere 20.5% of the total automobile sales (including the used cars). By the end of 2017, they had run 6,267 4S outlets, or 27.8% of the country's total.

Flocks of Chinese auto dealers turn to the aftermarket to reap benefits in recent years, arising from vehicle distribution gross margin of less than 5% and after-sale services' whopping 40%.

China's distribution and aftermarket industry shows the trends as follows:
1.Frequent mergers and acquisitions: while building some of their own outlets, large auto dealers also expand their distribution network by way of mergers and acquisitions, as they did in the first half of 2018 when China Yongda Automobile Services Holdings Limited bought 2 Lynk&Co 4S shops and Grand Baoxin Auto Group Limited acquired 1 Jaguar Land Rover 4S shop, 3 BMW 4S outlets and 1 BMW used car store.

2. Online distribution: the prospering internet is disrupting the way people live and consume, and automotive ecommerce then springs up. Currently, traditional auto dealers are not the only one setting about deploying internet +; some other players are also launching their own internet + automotive distribution modes for a slice of the market. Take examples for SOUCHE, Guazi.com, Uxin and Gome, all of which have online offerings for buyers.



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## M&A Cases in China Automotive Distribution Industry, 2016-2018

| Company | Case |
|---|---|
| China Grand Auto | In the first half of 2016, China Grand Automotive Services Co., Ltd. offered to acquire Baoxin Auto Group (1293.HK) which ranked 10th among the top 100 Chinese car dealers in 2016 and took over Dalian Prestige Automobile Trade Co., Ltd. and other automotive distribution groups |
| | On August 19, 2016, China Grand Automotive Services Co., Ltd. released the announcement Acquisition of Equity in Shenzhen Pengfeng Automobile (Group) Co., Ltd. by a Wholly-owned Subsidiary of China Grand Automotive Services Co., Ltd.. China Grand Automotive will wholly own seventeen 4S stores (three GAC Honda stores, four GAC Toyota stores, three Audi stores, two Mercedes-Benz stores, two Dongfeng Honda stores, and a Beijing Hyundai store, a Land Rover Jaguar store, a FAW Toyota store) of Shenzhen Pengfeng Automobile for RMB1.0062 billion. |
| China Yongda Automobile Services | In the first half of 2017, China Yongda Automobile Services acquired three Porsche 4S stores, five BMW 4S stores, a Mercedes-Benz urban exhibition hall and two Hyundai 4S stores. In the first half of 2018, the company acquired 2 Lynk&Co 4S shops. |
| Baoxin Auto | In the first half of 2017, Baoxin Auto Group acquired six 4S stores and a showroom, including two BMW stores, two Porsche stores, a Porsche showroom and two Maserati stores. In the first half of 2018, the company purchased 1 Jaguar Land Rover 4S shop, 3 BMW 4S outlets and 1 BMW used car store, in the east of China. |
| China ZhengTong Auto Services | In the first half of 2017, the company increased two Mercedes-Benz 4S stores in Yiwu and Yongkang, Zhejiang through mergers and acquisitions. |

Source: ResearchInChina

3. Stimulus of Auto finance: the booming auto finance makes cars more affordable. New financial modes such as “zero deposit or 10% deposit” by SOUCHE and Guazi.com among others, have aroused desire in buyers by virtue of simpler purchase process, giving automotive distribution a boost.

4. Increase in used car sales: more new cars in the market favors higher ownership of automobile, which leaves room for used cars. As all local policies that restrict sales of non-local second-hand vehicles are rescinded and the used car ecommerce mode grows mature, China is expected to see a steady growth in number of used cars traded in the market, up to estimated 32.46 million units in 2025.

China Automotive Distribution and Aftermarket Industry Report, 2019-2025 highlights the following:

◆China automotive distribution industry (distribution modes, profit models, competitive pattern and development trends);

◆China new car sales, used car sales, automotive finance, car maintenance & beauty and automotive insurance markets (status quo, market size, competitive landscape, development trends, etc.);

◆14 auto dealers (operation, revenue structure, gross margin, and automotive distribution and aftermarket business).

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