

# Research Report on Automobile 4S Stores in China, 2013-2017

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## Abstracts

With rapid economic development and the improvement of income per capita, automobile consumption in China has boomed in recent years and automobiles quickly become affordable consumer goods for ordinary families. In 2012, the automobile output volume in China was 19.272 million, increasing by 4.6% YOY. The sales volume was 19.306 million, increasing by 4.3% YOY. From 2009 to 2012, the automobile output volume and sales volume in China kept ranking the first in the world. In 2012, the output volume and sales volume of passenger vehicles respectively reached 15.5237 million and 15.4952 million, increasing by 7.2% and 7.1% respectively over 2011.

According to the current situation of automobile 4S stores in China, there are two basic models. One is horizontal development. It is a multi-brand business model that can be easily seen in the same regional market. This phenomenon is mainly caused by the fact that manufacturers seldom authorize the same distributor with more than two sales networks in the same region considering the network security, distributors' strength and the management ability in region markets. The other is vertical development. It is a single-brand business model that can be commonly seen in different region markets. According to the development trend in recent years, automobile sale in China will gradually develop from scattered model to concentrated model.

At present, there are more than 30,000 automobile distributors in China. Automobile 4S store model was introduced in the late 20th century and gradually became prevalent. The investment cost of an ordinary 4S store is about CNY 5 million at least in China. The number of 4S stores exceeded 16,000 in Chinese market by the end of 2012, ranking the first in the world.

Though '4S' is widely considered the most advanced automobile marketing model, not

all of automobile types and brands are suitable for it. The number of automobile 4S stores increased rapidly from 2008 to 2010 and the turning point appeared in 2011. The profit of many 4S stores begun declining and even at least 20% of them suffered deficit in 2012. Under such circumstance, the disadvantageous factor — the high cost of 4S stores was further amplified. On one hand, the land costs, operation costs and labor costs all rose sharply. On the other hand, the sales volume of new automobiles kept declining due to the declining growth rate of automobile market and the concentrated sales network. So, standard high-cost 4S stores will face unfavorable situation if keeping the model.

The profit of 4S stores mainly comes from vehicle sales and after-sale services. Under the circumstance that the profit of vehicle sales keeps declining, the profit of after-sale services will naturally become a key business for 4S stores. The profit model of 4S stores also becomes changing. They just depend not only on vehicle sales but also on component sales, automobile decoration, second-hand automobile sales, automobile finance businesses and automobile insurance businesses.

By summarizing and analyzing the profit structures of automobile sales all over the world, it is found that vehicle sales accounts for 10%, after-sales services accounts for 50%, component sales accounts for 10% and second-hand automobile sales accounts for 20%. Vehicle sale occupies more than 50% of the total profit in China. At present, most automobile 4S stores in China only pay attention to promoting automobile sales volume but neglect the management of after-sales services. Consequently, the general performance in improving customers' satisfaction, strengthening after-sales services and technology is poor. The competitions in automobile after-sales service market are mainly the competition between 4S stores and professional maintenance enterprises. Services in 4S stores are rather complete while services in professional maintenance enterprises are more convenient and cheaper.

With the further maturing automobile sales market and narrowing differences of each brands, distributors will mainly get profit from after-sales services. So the important issues that many 4S stores facing are to provide high-quality after-sales services, to improve customers' satisfaction degree and to cultivate customers' loyalty.

In 2012, the GDP per capita in China exceeded USD 5,000. It is predicted that it would maintain the growth rate of over 10% in the coming years. It is predicted that the annual automobile sales volume in China would maintain the growth rate of over 8% from 2013 to 2017. So automobile 4S stores in China still have promising development prospect and they are worth investors' attention.

Through this report, readers can acquire the following information:

Development Status of Automobile 4S Stores in China

Profit Models of Automobile 4S Stores in China

Competition Status of Automobile 4S Stores in China

Major Sales Channels of Automobile 4S Stores in China

Development Trend of Automobile 4S Stores in China

Problems and Solutions of Automobile 4S Stores in China

The following enterprises and people are suggested to purchase this report:

Automobile Manufacturers

Automobile Trade Enterprises

Automobile Component Manufacturers

4S Store Investors

Investors and research institutes concerned about automobile 4S store industry in China

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