

The Possibility of Future Development of the Used Car Industry in China

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Summary

At present in Japan, the car industry is termed as “the 10% Industry” and has established a firm status in the economy.

Reviewing historically, the share of the car industry among the whole industry output was about 5% in 1960 and 8% in 1970. It exceeded 10% in 1976. The production of cars had grown up twenty times between the decade of 1960 and 1970. The production decreased in 1974 due to the First Oil Shock. However, in long-term, it was growing steadily. In 1992, the registered number of used cars overtook that of new cars in Japan. Thus, this year was the turning point in the Japanese car history. Until now, the registered number of used cars is increasing.

Looking at China with its economic development, the production of cars exceeded one million in 1992 and two millions in 2000. It reached three millions in 2002, and exceeded four millions in 2003. China, in fact, has become one of the major car producing countries. In 1995, the owned number of cars in China as a whole exceeded ten millions, and at the end of 2003 twenty millions. China has become from the potential to the prominent car market in the world.

The sales of new cars have increased greatly. At the same time, the market of used cars has developed rapidly. In recent several years, the sales of used cars in China have made progress at the pace of higher than 20% annually. By the end of 2000, the sales of used cars were about one million and one-third of new car sales. In 2004, used car sales were 1.34 million and expected further development. The sales of used cars in amount were 21.5 billion yuan in 2000, grew rapidly and reached 60 billion yuan in 2003. According to the Beijing Daily Paper, not only new cars but also used cars are doing good business thanks to the boom of car buying. In Beijing in 2003, the number of used car dealing grew at the rate of 36% compared with the previous year and reached 115 thousands. This rate was the highest in the past. It represents that the car consumption in Beijing changed from the initial period to the repurchasing period.

The sales of used cars in China, however, were only 30% compared with new cars in 2003. Vitalization of the whole car market by the development of used car market is expected from now on. But the Chinese market is still immature and small in size compared with the developed countries. This means that there exists a big opportunity as well.

The Chinese economy has been changing from the public consumption to the private. In this context, the business of used cars has a bigger business chance than that of new cars; and there are lots of problems to be resolved.

This thesis reviews the process of development in the Japanese and Chinese car industries, and points out the differences of management styles in both countries. Furthermore, the problems of the current used car business in China are clarified. Finally, the thesis finds out the original methodology of Chinese used car business for the future success.