

# Development Strategies of China's Independent Automobiles-based on the Development Experiences of Global Major Autos

Ruan Xiaowen

Nanjing Institute of Industry and Technology, Nanjing, China

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**Abstract:** This paper examined the development experiences of global major automobiles countries and put forward serial suggestions on the development of China independent automobiles industry including improving technological innovation, developing new energy vehicles and smart automobiles industry, making full use of the opportunities by the "Belt and Road" initiative, strengthening the construction of automobile industry innovation system, and improving automobile manufacturing quality engineering system and internationalization.

## 1. Introduction

In 2018, China's automobile sales still ranked first in the world, but in 28 years, the growth rate has experienced negative growth for the first time. The growth rate of major economic efficiency indicators of the industry has slowed down and the growth rate has declined. However, aside from the production and sales data, the automobile industry still has a lot to offer, for example, the brand image of independent automobile brands has been continuously improved, and new technologies and new modes such as intelligent network connection, shared travel, automatic driving, and automobile service industries have flourished, and the new energy automobile industry has developed rapidly. In 2018, the domestic auto market entered the "cold winter", and sales of and market share of most independent brands declined a lot. In addition to Geely, SAIC passenger cars, GAC Chuanqi, BYD and other small car companies have achieved positive growth, most of the independent brands have declined in sales, so the overall market share of independent brands has also fallen sharply. According to the sales data released by the China Automobile Association, the cumulative sales volume of Chinese brand passenger cars in 2018 was about 9.98 million units, decreased 8% than 2017, with a market share of 42.1%, compared with the market share of 48.8% in 2017 and the market share fell by 6.7%. What is more serious is that with the liberalization of the joint-stock ratio, foreign brands are no longer restricted by the ratio of joint-venture shares, and more foreign brands will choose to expand the joint-stock ration from 49% to bigger ratio. More foreign brands will further squeeze the market share of Chinese automobile brands. Gone are the days when the state-owned enterprises relied on lying on joint venture brands to make huge profit. Therefore, what Chinese automobile makers can do is to develop China's independent automobile brands.

Based on the serious dilemma of China's independent automobile brands, this paper will examine the development experiences of automobile industry in Japan, Germany, the United States and South Korea, and strive to provide suggestions for the development of China's independent automobile brands.

## 2. The Development Experience of Major Automobile Powers

Based on the investigations of development experiences in automobile industry in Japan, Germany, the United States and South Korea, the final results can be concluded as follows.

### 2.1. The Government's Support is Crucial to the Development of Independent Brands.

Based on the investigation, it can be concluded that government should seek to create favorable conditions for the development of enterprises, provide more policy guidance and tax incentives for

the company's innovative research and development projects; government should strengthen incentives for innovation and core technological breakthroughs, and strengthen the protection of intellectual property rights. Government should make full use of diplomatic channels to strengthen the promotion of domestic enterprises, improve their brand image and brand reputation; government need to strive to build a sound investment mechanism for technology research and development, forming a research funding mechanism that is jointly invested by the government, enterprises, and scientific research institutions. Government should support technological innovation of enterprises. Government should promote the structural adjustment of the automobile industry through specialized management and intensive management, enabling enterprises to concentrate their core strengths and gain sustainable competitive advantages. Government and industry policy makers should give full play to the guidance of industrial policies.

## **2.2. Automobile Enterprise should Focus on Development of Research and Development of Core Technology**

Based on the investigations of automobile companies , it indicated that all of the car companies have spared no effort in the research and development of their core technologies. All countries vigorously developed their own brands, vigorously introducing, digesting and absorbing foreign advanced automobile technologies, forming independent core development capabilities, and strengthening the protection of intellectual property rights. Countries such as Japan, Germany and the United States have been reluctant to share core technologies in the Chinese market. In the process of cooperation with Chinese car companies, a considerable part of Chinese car companies are receiving huge profits from joint venture models, while the transfer of core technologies from foreign car companies has not been obvious.

## **2.3. Focusing on Catering for the Needs of Consumers**

Based on the analyze of car companies in various countries, it indicated that all of the car companies conducted thorough research on the market and developed products catered for the needs of local consumers. Car companies in various countries paid attention to differentiated competition strategies, and paid attention to the research of market segments, focusing on the individualized characteristics of products and the marketing of specific consumer groups. All of the car companies can regard the consumers as the center and focus on the transition from “manufacturing type” to “production service type” with “customer-centered” strategy, to meet the needs of consumers as the top priority; all of the strategies of car companies were fully based on market consumption trends and Consumers' needs; the innovation and product development have strengthened consumer perceptions of the company and established a good reputation.

## **2.4. Internationalization is An Important Step to Become Stronger and Meet Global Challenges.**

Based on the investigations, it indicated that government need to take measures and support domestic car companies to export and invest overseas. At the same time, car companies need to pay attention to international talent training, strengthen global human resource management, vigorously implement localized operations, and implement global marketing, building a global strategic alliance, increasing global investment and R&D, and finally the companies can achieve fruitful results.

# **3. The Development Strategies of China’s Independent Automobiles**

## **3.1. Improve Technological Innovation**

Through policy support, the government should establish a technological innovation platform for the automobile industry in key components, advanced materials, new energy, intelligence, intelligent transportation, etc., and the government should build an innovation center for cooperation between universities and research institutes. Government should support to set up a national-level new energy battery R & D and design center, testing center, industry service center, etc., to promote the development of new energy cars industry. The government should increase support for research

and development of new energy, intelligent network and other technologies in taxation and subsidies, increase the scale of the automobile industry innovation fund, and encourage enterprises to innovate independently. Finally, the government should also increase the investment in basic research on automobiles, and support cooperation with basic research and common technology. [1]

### **3.2. Develop New Energy Vehicles and Smart Automobiles Industry**

After several years of government policy and industry promotion, China's new energy automobile industry has achieved fruitful results. China's new energy vehicles rank first in global production and sales for three consecutive years, occupying 50% of the global market share. With the fast development of new energy cars, it has promoted the technological upgrading in the design and manufacture of batteries, motors and complete vehicles. Compared with the traditional automobile industry, the new energy vehicles are relatively weak in the international market. China's auto companies, should make full use of the relatively large domestic market, become bigger and stronger, and then enter the top of the global value chain to become the leader of world new energy cars. [2] Therefore, the government should promptly introduce relevant regulations on investment management in the automobile industry, further deepen reform, simplify administration and decentralization, strengthen post-event supervision, and create a favorable environment for industrial development. [3]

### **3.3. Making full use of the Opportunities by the “One Belt and Road” Initiative**

The development of “One Belt and One Road” initiative has brought great benefits to the development of China's independent automobile brands. Firstly, it provides a broad international stage for the development of China's independent automobile brands. The capacity of the countries along the “One Belt and Road” will continue to increase. With the infrastructure construction in “One Belt and Road” countries, it will drive the export demand for trucks, heavy-duty trucks and construction machinery. Secondly, with the continuous improvement of road infrastructure, the demand for family cars will continue to increase, and of course, the promotion of automobile logistics and auto parts will also be promoted. Thirdly, China's independent automobile brands can continue to exert their strength in new energy vehicles, realize lane change and overtake, and increase the marketing and sales of new energy vehicles in the countries along the “One Belt and Road” to realize the internationalization of Chinese brands. [4][5]

### **3.4. Strengthen the Construction of Automobile Industry Innovation System**

As far as the government, there are a lot to do to strengthen the construction of automobile industry innovation system. Firstly, the government needs to strengthen strategic consulting capabilities. Secondly, government needs to set up a networked, matrix-based innovation center. Thirdly, government needs to build an innovative resource sharing platform, improve the efficiency of innovation resource utilization, establish industrial investment funds, and focus on promoting innovation and commercialization of key technologies in the fields of new energy vehicles and smart cars. Fourthly, government needs to formulate automobile talents, standards and patent strategies, promote the construction of industrial support platforms such as technical standards, test evaluation, infrastructure, and international cooperation, and improve the construction of standard systems for complete vehicles and parts. [6]

### **3.5. Improve Automobile Manufacturing Quality Engineering**

It is necessary to vigorously implement the vehicle quality improvement project, strengthen the research and development of new materials and new processes, make breakthroughs in the domestic equipment automobile production line, increase the reliability design and verification, increase the construction of the vehicle and parts standard system, and build the quality of automobile manufacturing. It is necessary to build evaluation and standard system to build a sound automobile supply chain system, to achieve breakthroughs in core technology of parts and components; it is necessary to build a car quality assurance and tracking system to strengthen quality assurance and enhance brand image of automobile brands. Finally, it is necessary to vigorously promote the

internationalization strategy of independent automobile brands, and encourage China's independent automobile brands to participate in global competition, to form the agglomeration effect of independent brands. Therefore, the government should issue various policies and take measures to encourage independent brand enterprises to vigorously implement internationalization strategies. [7]

### **3.6. Internationalization Strategy**

Chinese car companies, especially independent automobile brands should be brave enough to embed global auto value chains, compete with international auto companies, develop in competition, build their own brand image, win world market share, and increase operating profit. In terms of the internationalization development strategy of independent brands, it is necessary to get the support from the government and the efforts of the enterprises themselves. As an independent automobile company itself, it should also pay attention to the re-innovation and upgrading of automobile technology after digestion and absorption. It is necessary to make technological innovation and research and achieve progress. Secondly, as a company, it is necessary to make great efforts to improve marketing ability and solve the problems in brand building and after-sales service. During the process of globalization, China's independent automobile companies should pay attention to the topic of international human resource management. [8]

## **4. Conclusion**

This paper examined the development experiences of main auto countries including Germany, Japan, America and South Korea and then put forward serials strategies on how to develop China's independent auto industry. The paper is hoped to provide useful suggestions for policy-makers, entrepreneurs and auto industry to take measures to achieve the dream of powerful nation of automobiles within the future.

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