

The Current Status and Countermeasures of China's Export for Automobile with Proprietary Brands to Africa

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ABSTRACT: With the increasingly stable political situation and the steady economic development, African regions, as a major market for China's automobile with proprietary brand, has drawn attention of many a automobile manufacture, and then, a large number of automobile brands head for Africa, and thus, competition is inevitable for the enterprises from China, which presents opportunities and threats at the same time. The paper, based on the analytical approach of SWOT, makes an analysis of the situation that China's automobiles with proprietary brands export to African regions and puts forward the countermeasures for the weaknesses they have.

KEYWORD: Automobiles with proprietary brands; SWOT analysis; African market

With the boom of China's automobile industry, a great number of China's automobiles with proprietary brands, represented by Chery, Geely and Great Wall Motors, etc, are following the internationalized road and taking the lead in exploring overseas markets. As China and Africa always enjoy good relations, young African market with enormous potential has drawn attention of many automobile enterprises of China and serves as the bridgehead that used by China's enterprises in question to march towards international market. After the efforts of years, China's automobile enterprises see great progress, however, compared with the ones from advanced countries that take the lead in entering into this market, China's counterparts still have to keep improving themselves and make up for their weaknesses before great success in Africa.

1 OVERVIEW OF CHINA'S EXPORT OF AUTOMOBILES WITH PROPRIETARY BRANDS TO AFRICAN MARKET

With the development of China's automobile industry, the exported number of automobile keeps rising, and thus, the Africa market with rapid growth always plays a major role in China's exporting market.

For five consecutive years, China has ranked 1st in the sale of automobile across the world, however, in the context that general sale sees growth, the export still faces the sustained decline at increased

rate, and in 2013, it is negative growth, while in the 1st half of 2014, it does not see any improvement yet. Similarly, the sale of China's proprietary automobiles in African market is barely satisfactory, and therefore, South America with 30% market share replaced African market in 2013 and became the largest market in terms of China's export of the integrated car.

We may classify African market into three types. Firstly, it is the relatively mature consuming markets of automobile, for example, South Africa, some North African countries like Egypt and Algeria, they have a strong economic strength than other ones. In these regions, the residents enjoy a better living and consuming standard and relatively complete infrastructure, so quite a few world famous automobile brands have, one after another, taken root there and formed their integrated industrial chains comprised of factory, sale and after service. The second includes the markets with great potential, such as Tanzania, Morocco and Nigeria, etc. in these regions, the residents have relatively low incomes, and their consumption focuses on the low and medium-end automobiles and small ones, but the regions are seeing great economic development in recent years and the automobile market is also in a uptrend, and therefore, the regions enjoy great potential of automobile's sale. The third refers to unexplored markets, such as Kenya, Mali, Senegal and Ethiopia, etc, as they are economically backward, suffer harsh living conditions and

turbulent political status, second-hand automobiles are quite popular.

Our sale of automobile in African market focuses on the countries of the first type, such as Algeria and Egypt. From the below table, we can see, for two consecutive years of 2012 and 2013, Algeria has won the title of the largest exporting market for China's proprietary automobiles, but it was replaced by Iran in 2014.

Table 1. Segment of the exported countries of China's integrated automobile from 2011 to 2014 (Percentage) Unit: %

Countries Year	Algeria	Egypt	Chile	Russia	Peru	Iran
2011	9.7	3.1	6.3	8.4	3.6	5.5
2012	14	3.2	6.2	8.8	3.7	6.2
2013	11.7	3.8	8.3	9.5	4.2	5.5
2014	8.7	4	4.2	6.6	2.9	12

Source: Chinese Industrial Association(CIA)

In terms of exporting forms, China's proprietary automobiles normally employ general trade, and then the processing trade.

In the model of automobile, the exported automobiles to Africa mainly are dominated by commercial ones, and the ones for riding rank the second place. The traditional exporting markets represented by Algeria are still dominated by truck, while in Egypt, it is mainly covered by passenger automobiles, which indicates that the ones for riding does not show good performance in African market.

2 SWOT ANALYSIS OF CHINA'S AUTOMOBILES WITH PROPRIETARY BRANDS IN AFRICAN MARKET

2.1 Analysis of the strength of China's exported automobiles with proprietary brands to Africa

2.1.1 Superiority presented by policy

Chinese government has been attaching great importance to the development of automobile industry, taking quite a few measures to support the expansion of the industry by boosting the export of the products related to automobile. In 2006, Commerce Ministry of PRC released the first batch of national exporting bases and enterprises of automobile and spare parts, and announced to make greater efforts to support the export of automobile from ten aspects, including constructing R & D platform for export-oriented enterprises and giving play to the favorable role of export credit insurance etc. In 2009, State Council of PRC issued "Program for the Restructuring and Invigoration of Automobile Industry", putting forward the major orientation of development, including restructuring of automobile enterprise, proprietary brands and new-energy automobile, etc. In 2012, China

Association of Automobile Manufactures issued "Opinions on the Development Program of Export for Automobile Industry", which formulated the detailed steps of development for China's automobile export.

2.1.2 Superiorities in price and cost

Low price always servers as the major means used by China's products related to automobile to develop overseas market, and compared with advanced countries, China boosts decided advantage in cost. According to relevant statistics, the unit price of China's exported automobile was RMB76.8 thousand in 2013, less than a third of that for the imported automobile of the same year. China's products related to automobile are always characterized by low price, practical and enjoying high cost performance, and therefore, they can win favor of African consumers who are sensitive to price and require less for the quality of integrated automobile.

2.2 Analysis of the weakness of China's exported automobiles with proprietary brands to Africa

When reviewing the current status of China's automobile in export, we should fully approve the industrial development and progress it has made, meanwhile, we should clearly realize that the gaps with advanced industrial countries, which not only influences the competitive powers of products but also goes against the sustained and steady development of the automobile industry.

2.2.1 Limited space for profit

China's automobile with proprietary brand employs low price as an open sesame to develop African market, and most of the exported automobiles of similar types are the low and medium-end ones with small emission. Repeated price competition and low added-value result in the shrinking profits and the plight that profit fails to grow along with the rising of market share.

2.2.2 Lack of brand popularity

China is a major manufacture of automobile, but because of the lack of famous brand and the deficiency of brand awareness, it is still a weak one. China's automobile enterprise with proprietary brand lacks strategic concept of brand management with less efforts to brand erection, let alone its maintenance when marching towards international market, which has a close bearing on the bad image of China's automobile.

2.2.3 *Imperfect quality*

Quality is always the weakness that China's automobile with proprietary brand has to face, this is because Chinese relevant enterprises have been paying far more attention to cost than that of quality. Hot climate, relatively backward environment of communication and infrastructure in Africa call for higher requirement for withstanding high temperature and shock absorption than those in other regions, which tends to pose the problems with the quality to Chinese exported automobiles, such as the damages of spare parts. The sustained emergence of the problems related to quality changes China's automobile into the pronoun of low quality and price after a long period of time.

2.2.4 *Lack of core technology and independent capacity for innovation*

At the initial stage of China's automobile industry, most of the technologies need introducing from foreign countries, which leads to the dependence on the advanced countries, although, China has the brands with IIPR like Chery and Geely, etc after the efforts made in the past more than ten years, core technology are still in the hands of automobile manufactures from Europe and America, especially in core spare parts, we still can see a great gap with the advanced countries.

2.2.5 *Incomplete after service system*

Chinese automobile enterprises tend to focus on short-term interest, so the problem "more attention to sale and less to after service" prevails among them and this situation worsens in African market. The special road conditions in Africa expose various problems that China's automobiles have, under this circumstance, after service calls for higher standards. However, China's automobile manufactures do not enjoy a perfect after service system with low service, delayed delivery of spare parts and incomplete after service network, which allows us to see the great gap we have with our counterparts in advanced countries, and the gap largely hinders the development of China's brand automobile.

2.3 *Analysis of the opportunity of China's exported automobiles with proprietary brands to Africa*

2.3.1 *Good Sino-Africa relations*

As developing countries, China and African countries not only keeps good political relations but also make a great progress in the economic and trade cooperation with the total volume of Sino-Africa trade of \$10.6 billion in 2000 to \$21.02 billion in 2012, which allows China to be the largest trading partner of Africa. The good momentum of the current Sino-Africa economic and trade cooperation

will help China's automobiles with proprietary brands develop African market, and accumulate valuable experience in participating in economic globalization.

2.3.2 *The demand of market sees expansion*

Africa boasts a promising perspective and sees growing consumption in automobile. As a huge market with the population of one billion, Africa is witnessing rapid growth. As a whole, the turbulence caused by wars in African countries is on the decrease, the economic development betters off and most of them enjoy an economic growth rate above 5%, accordingly, consuming capacity of residents also rise, and they call for more automobiles. Without doubt, Africa market with huge potential presents a good opportunity for Chinese proprietary brands of automobile to follow the internationalized road.

2.4 *Analysis of the threats of China's exported automobiles with proprietary brands to Africa*

2.4.1 *Competitions posed by the traditional automobile powers*

The tremendous potential of African market also draws attention of automobile manufactures from advanced countries. Due to the recession of European and American market, the countries in question, one after another, have transferred their focuses to African market and strengthened its exploration. The manufactures in question, after capturing the high-end market, also marches towards low and medium-end market in Africa, which leads to much severer competition, and thus, the market share of Chinese manufactures shrinks. According to statistics, the total automobiles exported to African market are mainly from France and Japan, accounting for 60%, while the balance is in the hands of the manufactures from the U.S., Germany and South Korea, etc.

2.4.2 *Threat posed by trade barrier*

In response to the impact of imported automobiles on its own automobile industry, some countries take relevant protective measures, for example, some African countries increase the tariff on imported automobile, which immediately leads to the rising of export cost for Chinese manufactures, and low cost performance considerably weakens the competitiveness.

3 THE COUNTERMEASURES FOR CHINA'S AUTOMOBILES WITH PROPRIETARY BRANDS TO DEVELOP AFRICAN MARKET

3.1 *Improve independent capacity for innovation*

Science and technology serve as the first productive power, and independent innovation is the very capacity that plays a decisive role in the development of automobile enterprises. For the manufacturers with proprietary brands, only keeping improving their capacities for independent R&D and innovation, they can make a stride in core technology so as to change the unfavorable position they have in the competition with the brands of advanced countries and grasp the key to the future development and realizing transformation and upgrading. R&D calls for professional talents, and Chinese manufactures can combine manufacture and learning to build educational institutions of talent or spend a small fortune introducing talents so as to improve and perfect their own R&D teams and technologies.

3.2 *Impose stringent requirements on product's quality*

Although Chinese automobile brands open the door of African market by means of low price, the quality is far below that of automobiles from Europe and America. Quality is another weakness that Chinese automobile industry suffers, and thus, automobile industries at all levels should attach great importance to it. The purchasing department of automobile manufacture should, according to high standards, bid for and purchase raw material and spare parts in a strict manner, while the quality supervising authorities shall map out detailed standards of quality control, establish all-round inspection mechanism so as to ensure the quality of integrated automobile. In addition, special climate and road conditions should also be taken into account with relevant adjustments concerning automobile's adaptation such as withstanding high temperature and shock absorption.

3.3 *Formulate development strategies that match African market for enterprises*

Chinese automobile manufactures should not only seek for short-term interest in African market, they need to formulate long-term strategic planning and implement it according to the local situations, and have knowledge of the local demand and consuming habits so as to avoid blindly exporting automobiles to overseas market. For the designs of products, they should be adjusted according to the road conditions in Africa.

3.4 *Focus on the erection of automobile brands and the perfection of management system*

The realization of the erection of automobile brand can be done by the steps of building, promotion and maintenance, etc. the building of brand should be done based on the credibility and integrity, and enterprises must fulfill the promises they made to consumers and market. The promotion of automobile brand by advertisement shall match consumer's mentalities and try to achieve localization. The maintenance of brand should be customer-oriented, meanwhile, we should carry out training to enhance employees' competence and improve enterprise's overall image. We should formulate emergency response mechanism to handle customers' complaints in a positive manner, and once there are some events damaging brand image, we can handle them immediately.

3.5 *Strengthen after service*

China's automobile manufactures should build perfect systems for after service and the supply of spare parts in Africa to improve after service, which is conducive to the improvement in brand image. The enterprises in question should spend more on increasing after service offices, improving service level, prolonging maintenance period, and the manufactures with stronger economic power can build their own warehouses of spare parts in some African countries or regions, dispatch or locally train professional technicians to ensure good after service.

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