

The Online Aftermarket in China

1. What is the status of auto aftermarket e-commerce in China?

Players in all aftermarket channels are involved, or looking to become involved in e-commerce. There are three primary channels in the Chinese auto aftermarket: the independent aftermarket, which includes the company I work for Autozi, original equipment service (OES), which are service chain stores, and 4S groups, essentially dealers that represent multiple brands. All three major channels are heavily invested in providing online platforms.

In addition, there are local components/parts companies that have established e-commerce platforms, and prominent e-commerce players, including JD.com, that have expanded into the auto aftermarket, both through B2C and B2B models. Lastly, there are electrical appliance chain stores that have become involved in aftermarket e-commerce, like Gome; for such companies, auto parts are a small portion of their total business.

2. Are there any regulatory or market challenges associated with aftermarket e-commerce?

From the perspective of e-commerce platforms, there are no major regulatory issues. However, certain categories of suppliers, notably motor oil and tire companies, do face certain challenges. In summary, the platforms purchase from suppliers and sell the products to garages or end users.

The suppliers I mentioned, motor oil and tire companies, are extremely cautious about authorizing e-commerce platforms to sell their brands. This is because they have mature, nationwide markets for their products, and could disrupt existing customers or distributors. Therefore, in most cases, suppliers depend on traditional distribution channels rather than e-platforms.

3. What are some general characteristics of aftermarket customers that buy goods and services online?

The Chinese aftermarket is less mature than that of developed countries in Europe and the United States. The do-it-yourself (DIY) segment is a very small portion of aftermarket sales. Except for extremely basic parts, like wiper blades, which can be easily installed by the customer, there is little DIY activity.

There are two additional service models; when service is not included with purchase of the product, and when service is included with purchase. When service is not included, the customer will pay a fee to a third-party garage, or similar business. Some online platforms do not have a service network in place, and choose to only sell the product itself to the customer. Other companies have offline service networks, and when selling motor oil for instance, the purchase will include customized car servicing, in which the customer chooses the part and location.

4. Are there any product categories that project to have particularly strong growth in the Chinese auto aftermarket?

The majority of growth is in consumable parts, parts that are replaced according to mileage. Examples of these include, motor oil, batteries, brake pads, spark plugs, lamps, wiper blades, coolants and various chemicals. Due to their predictability, consumable parts are easiest to forecast. Online platforms can use statistical data to project future demand.

5. Could you describe some of your professional experience in the auto aftermarket?

My background was as a mechanical engineer, and I started working in the aftermarket industry back in 1994. Since then I have worked for two leading global turbocharger brands, Honeywell and BorgWarner, as well as two prominent braking companies, Continental's ATE brand and ZF-TRW Automotive. I began working at Honeywell, and was one of the first local, Shanghainese professionals to manage a Hong Kong market. I worked at TRW Automotive for eight years, helping set up their aftermarket business in China, and was involved in all aspects of that business. Currently I work for Autozi, an e-commerce platform, as Vice President of Brands & Products.

6. You currently work for Autozi, an online aftermarket platform. What are the products and services offered by Autozi? What is unique about Autozi's platform?

Autozi offers a full range of consumable parts, the category I mentioned earlier. We are unique in that we do not have stores, only an online presence. Our business model includes two levels: warehouses for our products, and the e-commerce platform to sell the products. Our customers are garages; the purchase and payment of goods is handled entirely online. The platform is geared toward businesses that know what they would like to buy, and helps them search for parts based on car model, vehicle identification number (VIN), OEM #, parts manufacturer #, and other methods.