Building platform and making innovation to enhance value of auto parts industry

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## Changes in China's auto parts industry

### Previous

China's auto parts industry was initially originated from the small workshop for repairing the imported cars in 1950s. At that time, it was featured by simple production equipments, backward manufacturing process, small production scale and poor product quality.

### Current

At present, China's auto parts industry has basically formed the industrial system, providing basic guarantee for the annual output of 10 million cars and the maintenance services for 90 million cars. The industrial scale is leading in the world.
Problems of China's auto parts industry

Due to late start and a lack of adequate human resources and accumulation of technology and market, there are still many problems in China's auto parts industry:

"Many" enterprises, "small" in scale and difficult to achieve the "economic scale";

Lack of core products and technologies

Lack of the independent innovation and development capabilities

Lack of talent

Lack of platform
Opportunities for China's auto parts industry

Era of China is coming

“The world’s largest”
- Chinese enterprises
- MNCs
- Auto enterprises

“The world’s strongest”
- Going global
- Winning in China
- Achieving sustainable development

The key is in auto parts
Services provided by CAPAC

Building platform and making innovation to enhance the value of parts industry
Vision of **CAPAC**

China's well-known integrated service provider of auto parts
Mission of CAPAC

Serving the auto manufacturers
Serving the auto users
Six Major Platforms

- Import
- Export
- CAPAC Chain

- CAPAC Adhesive
- CAPAC Plastics
- CAPAC Electronics

- CAPAC Trade
- Industry Services
- CAPAC Manufacturing
- CAPAC R & D
- CAPAC Testing

- The existing testing business is extending to the industry gathering area
- There are currently 9 industry bases and 3 industry bases under construction; the demand of local government's planning for industry bases is about 60.
- The supportive role for CAPAC trade and manufacturing platform is appeared
The six major platforms upgrade and promote each other, creating value for the auto parts industry
Main problems in the industry at present: in the trading business, the domestic auto parts enterprises are usually weak and have little bargaining power.

Platform for CAPAC Trade

Aiming at promoting the profit integration of the auto parts sub-industries, to help the auto parts enterprises improve their bargaining power during purchase and sales.
Import

Working together with the industry association to promote collaboration among China's auto parts sub-industries

1. Implementing joint purchase to achieve the scale advantage
2. Drafting and preparing the standard for product imports
3. Building the e-commerce platform
Export

Establishing supplying relationship with NAPA, AUTOZONE, Century, Chrysler and Federal Mogul, etc. Maintaining the sustained growth in the export markets in the United States, Netherlands, Colombia and Lebanon, etc.

Case--The newly-established Suzhou Branch has achieved multiples of growth in income

1. Making use of the credit advantage of the central enterprises and Top Global 500 Companies to reduce the foreign exchange risks

2. Trying to be generally recognized by the domestic suppliers

3. Developing strong management & control on supply chain
Integrating industry resources, building new business model, creating the platform for fair competition, supporting the excellent auto parts enterprises to enhance their own strengths, achieving common development. Changing the pattern that China's high-end auto parts industry is monopolized by the foreign-funded enterprises and the low-end counterfeited products are flooded in the market; helping China's auto parts industry enter into the lane of rapid development; promoting China to shift from the big power of auto parts to be a great power of auto parts.
CAPAC Chain

- Xuzhou flagship store
- Shanghai
- Kunshan
- Guangzhou flagship store
Objectives of CAPAC Chain

- **Sales**: Covering 3,193 cities and counties in China, establishing 28737 stores and the repair shops supporting the stores' sales.

- **Network**: The types of auto parts covers 80% of the common auto parts and supplies.

- **Market**: Being after-sale market-oriented and covering some OEM supporting and export markets.

- **Category**: Forming perfect purchasing system and supplier performance evaluation system, ensuring 50 mainstream suppliers or industry bases for each type of auto parts.

- **Style**: The available auto styles include all mainstream brands and styles of passenger cars and commercial vehicles.

- **Purchasing**: Achieving the turnover of RMB 100 billion Yuan, including the income of e-commerce and terminal stores.
Platform for CAPAC Trade
Platform for CAPAC Manufacturing
Platform for CAPAC Testing
Platform for CAPAC R & D
Platform for Industry Services
Platform of CAPAC Base
Main problems of the industry at present: There are many small-scaled auto parts enterprises, thus it is difficult to form the economic scale.

Platform for CAPAC Manufacturing

To help the quality enterprises achieve better development through strategic investment, restructuring, M & A, achieving the complementarity of resources with quality enterprises in the industry. "To fully make use of it rather than to pursue fully possession of it".
Completing the strategic investment projects of CAPAC Plastics, carrying out M & A for the quality asserts of the 4 subsidiary companies under certain group of the injection molding industry, planning to be listed on the SME market.

Being committed to the R & D, manufacturing of the auto adhesive and market exploration; the products include adhesives for welding, coating and assembly, etc.; at present, it is providing support for a number of OEMs;

CAPAC Wiring Harness
Platform for CAPAC Trade
Platform for CAPAC Manufacturing
Platform for CAPAC Testing
Platform for CAPAC R & D
Platform for Industry Services
Platform of CAPAC Base
Main problems of the industry at present: China is lacking of common technology platform and poor in collaborative development ability, which have restricted the establishment of the enterprise's independent development capability.

Platform for CAPAC Testing

Establishing public laboratories to provide platform for the public testing services of SMEs, which will on one hand reduce the repeated input in the common testing items and on the other hand accelerate the precipitation process of special testing techniques.

There is one state-level auto parts laboratory, three industry-level centers and engineering research centers, as well as one public laboratory; CAPAC has participated in the preparing process of many industry standards.
Main problems of the industry at present: The investment in R & D and product development of domestic auto parts enterprises are obviously lower than the level of the vehicle industry. Domestic auto parts enterprises are featured by lacking of the independent innovation and development capabilities, and the capability of developing high-end parts with high technology and high added value.

Cooperating with domestic and foreign universities, technology centers to build R & D platform, integrating the advantages of all parties to achieve the complementarity of resources, helping the auto parts enterprises to enhance and upgrade their self-development capability.
CAPAC is planning to jointly establish Suzhou Tsinghua Automobile Research Institute and R & D Testing Building of Suzhou Industry base, which will be completed by the end of this year;
Meanwhile, CAPAC is carrying out strategic cooperation with foreign R & D centers.
Platform for CAPAC Trade
Platform for CAPAC Manufacturing
Platform for CAPAC Testing
Platform for CAPAC R & D
Platform for Industry Services
Platform of CAPAC Base
Main problems of the industry at present: The channels for most of the domestic enterprises to access to the information and to publicize information are limited, thus they are usually "fight alone" in the industry, lacking of the collaboration between peers.

**Platform for Industry Services**

CAPAC has established extensive cooperation with the industry to integrate resources, improve the collaboration between auto parts enterprises and serve the auto parts industry.

- **Exhibition & Display**: Organizing and participating in various well-known domestic and foreign auto parts exhibitions
- **Information Services**: Professional Media Magazine - *Auto Parts*, etc.
- **Industry Association**: Establishing industry organizations and strengthening the extensive cooperation between the industry associations.
Exhibition & Display

Organizing and participating in various well-known domestic and foreign auto parts exhibitions

- Shanghai (Frankfurt) Auto Parts Fair
- Detroit International OEM Auto Parts Exhibition
- Detroit International Auto Show
- Shanghai International Auto Parts Exhibition
- Beijing International Automotive Exhibition -Auto Parts Exhibition
- Yiwu Automobile Parts Exhibition
- Guangzhou International Auto Show -Auto Parts Exhibition
"Auto Parts" is selecting topics fitting the market and planning the excellent topic to highlight the technical and practical aspects through the two main lines as industry focus and technology.

Positioning  Focusing on the auto parts

Professional  Product R & D and Application Technology

Comprehensive  Industry News and Product Information
Industry Association

Establishing industry organizations and strengthening the extensive cooperation between the industry associations, which have a upgrading role on CAPAC Trade, CAPAC Manufacturing, CAPAC Testing, CAPAC R & D and Industry Base.

1. Auto Parts Wiring Harness Institution
   Promoting the import business of Platform for CAPAC Trade and implementing joint procurement

2. Automotive Lighting Committee
   Holding establishment ceremony at China's largest gathering of auto lamps, China Auto Parts (Changzhou) Industry Base

3. Joint-Sales Group
Commissioned by China Association of Automobile Manufactures (CAAM), CAPAC, together with China's top 10 auto enterprises to undertake the study on "China's Auto Industry Development Strategy".

- Research on Auto Parts Industry Development Strategy (Auto Parts Department of Auto Parts Company, China National Machinery Industry Corporation)
- Overseas Strategic Studies (International Trade Coordination Department of Beijing Automobile Works Co. Ltd.)
- Building a World-class Enterprise Group (Policy Research Department of Dongfeng Motor Co., Ltd.)
- Research on the Adaptive Auto Tax System Reform (Policy Research Department and Finance Committee of Saicgroup)
- Research on the Auto Industry Technology Development Trend (Technology Department of First Automobile Works)
- Research on Independent Innovation and Independent Brand Development Strategy (Policy Research Department of Chery)
- Research on the strategy of Deepening the Joint Venture & Cooperation and Reasonable Utilizing Foreign Capital (Policy Research Department of Saicgroup)
Platform of CAPAC Base

Platform for CAPAC Trade

Platform for CAPAC Manufacturing

Platform for CAPAC Testing

Platform for CAPAC R & D

Platform for Industry Services
Main problems of the industry at present: The domestic auto parts enterprises are "scattered, chaotic and poor in quality", thus they has not formed a standardized agglomerative effect; in addition, they spend too much on the local inputs as land, tax, etc. during the process of investment and construction.

Platform of CAPAC Base

Creating and enhancing the value of local government and settled enterprises through integrating the resources of platforms for CAPAC Trade, CAPAC Manufacturing, CAPAC Testing, CAPAC R & D and Industry Services

Create a harmonious relationship between government and business

Local Governments

CAPAC takes advantages of the integrated services of six major platforms, to attract and introduce enterprises for the local government on one hand and to help local government plan and construction the industry parks on the other hand.

Settled Enterprises

As a planner and merchants operator of the industry park, CAPAC has obtained preferential policies specially for "Top Global 500 Companies" for the enterprises to settle down in the industry base and provided supporting services of other platforms to save cost and enhance efficiency of settled enterprises.
There are more than 10 industry bases completed or under construction; at present, the planning demand for industry bases declared by local governments is 60; Different industry bases have their own characteristics of planning, showing the industry agglomerative effect.
Use market and capital as the links to gather the social resources and realize "1+1 > 2"
Next working idea

- R & D, Testing
- CAPAC Trade
- Manufacturing, Industry Services
- CAPAC Base
- CAPAC Investment
Our business model is "Unique and innovative" and has certain "harvest".

Wishing that there will be more and more colleagues to "cooperate extensively and commonly create future" with us.
THANKS