



Automotive Consulting

The Game Changer in the Automotive Industry

China's Auto Industry Sprints Ahead

CGN's delegation participated in the 2011 Shanghai Automotive Show and the Automotive News China Conference. The Summit entitled "Coming of Age in China: How Global Companies can Prosper in China and How Chinese Companies can Go Global" drew executives from the top global and domestic Chinese automotive producers. The conclave gathered to achieve three key objectives:

- Understanding the current state of and future trends in the industry
- Finding solutions to address key issues facing the automotive business
- Promoting their companies' achievements and ambitions in this dynamic environment

Market growth in China for both passenger cars and light commercial vehicles has been stunning. It has become the world's largest auto market with volumes exceeding 18 million units per year and is projected to hit over 30 million units in the next five years.

This growth has attracted every major player, including many new domestic companies determined to compete. The Chinese government is an active participant and influencer of both policy and execution. The government has mandated that electric or electric assisted vehicles will be a substantial portion of all cars produced within 15 years.

Insights and Notes from the Shanghai Auto Show

- The number of cars on the road in China will reach 200 million units in 5 years.
- The expansion of factories, suppliers, and dealerships will accelerate with increasing growth in the western regions.
- Forecasts point to continued and significant talent shortages in the industry.
- The power grid and infrastructure will require upgrading to support the growth of Electric Vehicles.
- Component manufacturers will need to enhance their capabilities, technology and competitiveness to drive forward during rapid growth.
- The Chinese automotive sector will experience an increase in M&A activity.

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More News from Shanghai

Mitigating factors exist which potentially could impact the expansion of the automotive market in China include:

- Managing the unprecedented growth
- Lack of enough skilled talent and management experience to deal with all the known and unknown business challenges
- A highly fragmented supply base
- Insufficient production capacity, ineffective supply chains, and manufacturing inefficiencies
- Product proliferation and increasing competition
- Demand for affordable models from fast growth Tier II and Tier III cities
- Increases in cost of labor and commodities
- Rationalization and redirection of the aftermarket supply base
- Changing government policies and their impact on business

CGN's Point of View

The implications of growing demand, associated project risks and supply chain disruptions all create the potential for clients to leverage CGN's core niche offerings and expert services including:

- Market entry strategy for domestic firms
- Supplier development and collaboration
- Supply chain design and implementation
- Manufacturing footprint design
- Lean manufacturing
- Program and project management

Of note, there is openness to new ideas and leveraging external expertise to achieve results. Capital investment does not seem to be a problem but managing it is. Brand proliferation is an important issue and we expect a shakeout in both original equipment manufacturers (OEMs) and the supplier base.

We look forward to the potential that the China market holds for CGN and the global automotive industry.

~ Harsh Koppula, Archie Cameron, Huiping Zhou

Event Snapshot



CGN at the Shanghai Auto Conference

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