

The Development Strategies of Used Cars E-commerce

Zhang Xujiao

Chen Lihua

Liu Jing

Shanghai University of Engineering Science

Abstract

With the rapid development of China's automobile industry, used cars trading develops very rapidly and the business models of used cars are gradually in the direction of diversification. But as a new business model, used cars e-commerce, whether the market size or trading volume, promotes relatively slow, and used cars markets' overall speedy progress in stark contrast. This text conducts the development strategy of used cars e-commerce model. Based on the current development situation of the used cars market, and compared with other used cars business models, analyze the market environment of China's used cars e-commerce marketing model with SWOT. By analyzing the internal strengths, internal weaknesses, external opportunities and external threats of used cars e-commerce which affect its progress, propose a solution to the development of our used cars e-commerce marketing, then realize China's used cars e-commerce model's healthy development.

Keywords: Used Cars, E-commerce, SWOT Analysis, Development Strategy

1. Analyze the Market of Used Cars

With the rapid development of China's national economy and the continuing improvement of people's living standard, China's car ownership increases rapidly, then the used cars trading volume continues to grow, and the size of the transaction expands slightly. According to statistical data from the China Automobile Dealers Association, in the 13 years from 2000 to 2012, used cars trading numbers rose from 252,000 to 4,791,400, and increase 19 times. In 2012, the number of used cars trading was 4,791,400 a year, compared to same period last year to increase 10.60%. Then the used cars market showed an active state. It is expected that, by 2020, China's used cars market transactions will exceed 10 million. However, compared with the original cars market, there is a big gap in used cars market. According to statistics, China's trading volume between used cars and new cars accounted for only about 1/3, and matures currently. It is still a significant gap from the developed cars market that used cars and new car sales generally greater than 1:1 ratio. Thus, China's used cars market is still in its infancy, and the used cars market has huge development potential and space.

2. The Current Business Model in Used Cars Market

As the advance of used cars market in China, the business models of used cars are growing from the original single mode in multiple directions. In the early progress of the used cars market, trading is mainly for transactions between individuals; With continuous development, used cars market business models gradually show a diversified development situation.

2.1 Used Cars Trading Center

Used cars trading center refers to the places where have various used cars informations and resources together, then the buyers and sellers sale, transformation, and trading. Its main functions are: used car appraisal value, acquisition, sale, consignment, purchasing, distribution, exchange and auction, transfer, transfer membership, on the card, insurance and other services. These trading center has an abundant source of cars, with high and low grades to meet different levels of consumers' demand; and most of them are set up by the government, has many functions like materials, industry and commerce, public security, taxation and identification, which can provide consumers with one-stop service. It is the mainly business model in contemporary used cars market. However, this transaction mode is easily affected by policy changes.

What's more, bazaars or warehouse-style business model makes a lower degree of specialization in that way. So it is difficult to adapt to the flexible features of a market economy.

2.2 Used Cars Franchise

Franchising is a business model that franchise managers are allowed to be paid franchisees to use its name, trademarks, proprietary technologies, products and operational management experience to engage in business activities in the form of the contract. It's mainly divided into two kinds: Franchising trademark and business models based franchising, and used cars market operators generally use the second type. Using used car franchise can establish a stable sales network, reduce costs, improve service, cultivate customer loyalty, thereby enhance the core competitiveness of enterprises.

2.3 Used Cars Replacement

Used cars replacement is not only refers to the trade-in business, but also the used car refurbished, tracking service, used car sales and even lower in the fold installment and other services. Now our used cars replacement consists of the following three ways: a unified car replacement car manufacturers' new car, a car replace with the same brand new car and a car replace the same car manufacturers or dealers' green car without brands limited. Then, by car replacement, you can simplify the vehicle replacement program, and new and used cars market promotes joint progress. In addition, car renovation, used car evaluation and other related businesses in the used cars replacement vehicle can improve the car's original value in the value chain.

2.4 Used Cars Auction

Used cars auction is a transparent and efficient trading and circulation methods, which is more common in foreign countries. Nevertheless, in China is still in its infancy. As a contemporary business model, the used cars auction has played a valuable role in promoting used cars trading. Through the auction, the majority of consumers and used cars business enterprises can find favorite used cars; and the majority of owners, second-hand car business enterprises have also been a valuable channel for dealing and selling used cars. However, used cars auction expertise required a very high participant, while the auction used cars are mostly not renovated, and did not provide the appropriate service; therefore, the vast majority of clients participating in the auction are having a prohibitive risk.

2.5 Used Cars Leasehold

Used cars leasehold are the one who operated used cars management, such as used cars brand dealers, used cars franchise stores, businesses in the used car market, will lease their used cars to other units or people collect rental fees within the stipulated time. Through the used cars leasehold model, it not only can increase the enterprise's operating profit, for those who do not want to sell or sell may be at a loss, their used cars can lease to other units and individuals to receive lease payments and deposits; but also can give consumers more choice. However, now, Chinese used cars leasehold market is in the preliminary stage, the vast majority of enterprises are small; there isn't sufficient ability to forbid the risk and expand the market. All of these restrict the progress of used cars leasehold to some extent.

2.6 Used Cars Supermarket

The car supermarket is a rapid development business model in the automotive developed countries and regions which refers to bringing together diverse brands cars for sale. This will not only be able to ensure that the display requirements of the major brands of products and the implementation of a full-service auto companies, but also benefit customers make sensible purchasing decisions in the openly information. The used cars supermarket learns the advanced experience of these cars supermarket. It not only provides the dealer with a display platform, but also provides ample information for consumers' purchasing decisions.

2.7 Used Cars E-Commerce

Used cars e-commerce is an information marketing process which point used cars as marketing goods. Market the Internet for automotive marketing environment, transfer used cars marketing information and communicates with used cars customers' demand. In recent years, China's used cars e-commerce transactions are developed gradually. At present, the domestic websites provide used car services is roughly divided into four categories: professional used cars websites such as 273, Youka, 51auto, etc; Used cars portal channels such as Sohu, Tencent, etc.;

Living classifieds site such as used cars network sub-station in 58 city, people network; And the brand used cars websites such as Audi, BMW Premium Selection, etc.. After progress, used cars e-commerce platform achieved a total sales volume of 50,000 in 2011. Just as "Cheyipai", its annual turnover reached 1.2 billion Yuan, and there are more than 2,000 car cooperation dealers in more than 80 cities all over China. Nevertheless, the used cars e-commerce platforms' trading ratio was less than 1% of the country's total volume, and used cars account for only about 0.4% of the total transactions.

3. SWOT Analysis of Used Cars E-Commerce

As an emerging business model, used cars e-commerce have made some achievements, but compared to other operating models, both business scale and impact is a considerable gap. This paper makes use of the SWOT analysis theory of management analyzes the strengths, weaknesses, opportunities, threats of used cars analysis e-commerce. SWOT analysis is shown in Table 1.

Table 1. SWOT Analysis of Used Cars E-commerce

<i>Strengths</i>	<i>Weaknesses</i>
1. Break the constraints of time-space and format scales 2. Reduce costs and improve efficiency 3. Benefit two-way communication with customers 4. Facilitate customers to make purchasing decisions	1. Lack of logistics system support 2. Lack of high-quality operators 3. Lack of after-sales service and the quality assurance 4. Lack of trading platform and transactions function is imperfect
<i>Opportunities</i>	<i>Threats</i>
1. Rapid development of China's macroeconomic 2. A good investment and financing environment 3. Online shopping market has great potential 4. The government supports for used cars e-commerce market	1. Competition from other operating modes 2. The relevant laws and regulations are not sound 3. Online payment security needs to be strengthened

3.1 Strengths

3.3.1 Break the Constraints of Time-Space and Format Scales

In China's used cars market, there is a serious imbalance on geographically, and used cars e-commerce take advantage of the Internet, so that the transaction time continuity strengthened, and used car transactions get rid of geographical constraints, thereby it forms a wide range of market trading network. In addition, with the emergence of e-commerce platform, used cars dealers across the country can easily operate alliance, which can greatly accelerate the velocity of circulation of second-hand cars, then format scales. Not only can the used cars dealers' service moderately direct to standardize and systematic, but also can to share the used cars information all around the country. Thus it forms a nationwide used cars brand.

3.1.2 Reduce Costs and Improve Efficiency

Through e-commerce platform, firstly, used cars dealing can save a lot of intermediate links, reduce cost of sales, thereby reduce the sales price; Secondly, it can reduce inventory costs, improve inventory turns and reduce costs; Finally, advertising through e-commerce platform can display more information, has a relatively lower prices, then can greatly reduce the promotional costs. Studies have shown that advertising on the Internet can increase 10 times sales but only need 1/10 advertising costs than the traditional advertising.

3.1.3 Benefit Two-Way Communication With Customers

The network is a multi-level and multi-channel communication platform, and then information dissemination and feedback are timely. E-commerce platform is not only can get client feedback and competitor dynamics more quickly, but also can give full play to second-hand cars business and consumer interaction strengths. Using the Internet, it can provide personalized service and timely inform the needs of customers, so that consumers really get its desired using an additional consumption values. At the same time, e-commerce platforms can create your own client files, and use the Internet to explore more potential clients, and then expand their customer base.

3.1.4 Facilitate Consumers to Make Purchasing Decisions

For the customers, they can be excluded from the second-hand cars salesman and decide cars' varieties and intentions by themselves through e-commerce transactions. E-commerce platforms, such as used cars home, first car network, provide consumers with great used cars information, which allows consumers to click of the mouse, compare various models and performance of many cars through the pictures, data, etc., quickly and easily understand the information, and make a reasonable choice. This will not only save time but also meet consumer demand for online users to a greater extent and a wider range.

3.2 Weaknesses

3.2.1 Lack of Logistics System Support

Since e-commerce have the characteristics that information flow and logistics phase are separated. Therefore, the smooth flow of logistics, information flow and capital flow is crucial for e-commerce. The ongoing development of the level of logistics is low, the cost is astronomical, lack a national logistics support systems, and technology and equipment are backward. All of this lead e-commerce logistics' costs may even exceed the outmoded business model distribution costs. Thus used cars are coupled commodities, logistics processes are more complicated, and logistics costs are relatively higher. To a certain extent, it has seriously hampered the progress of used cars e-commerce.

3.2.2 Lack of High-Quality Operators

Used cars for practitioners not only need certified used cars knowledge, but also require a precise knowledge of IT, such as collecting, processing and analyzing marketing information, doing market research, management decision and other activities. That can be better to promote the progress of used cars e-commerce. However, China's used cars e-commerce development is still in the introductory stage. There're a large number of talents that not only understand networking technology but also understand e-commerce is a shortage.

3.2.3 Lack of After-Sales Service and the Quality Assurance

At present, most of China's used cars e-commerce platforms just provide an intermediary platform. In addition to providing some information, advice prices, trading platforms and charge membership fees and brokerage fees to buyers and sellers, after-sales service and other security measures are still shortages. To some extent, this is a profound influence on consumers' confidence through the e-commerce platform for trading second-hand cars, and it seriously hinders the development of e-commerce platform used car.

3.2.4 Lack of Trading Platform and Transactions Function is Imperfect

At present, China's used cars e-commerce platforms' progress has obvious lag, and most of the used cars website are just a framework for the parties to provide offers, news, exhibition information, policy information, and much more information on the industry. The main contents are still stuck in the use of e-commerce platform for publicity and promotion, and lack of a broad sense of the online transaction that its transactions are generally accomplished after-line.

3.3 Opportunities

3.3.1 Rapid Development of China's Macroeconomic

Sustained macroeconomic development and economic activity continued to increase, provide a sound basis for assurance for China's auto demand, especially second-hand car trading extension. According to authoritative estimates, when world GDP growth of 3.66 percent, cars' demand will grow by 1%; while the growth of China's auto demand is proportional to GDP, that has an annual growth rate of 8.10% ["second-hand car trading" editor: Chen Yongge Machinery Industry Press]. China's annual GDP reached 51.9322 trillion Yuan in 2012, with an increase of 7.8%. Economy grows significantly and fiscal revenue increases significantly, which are directly or indirectly promote China's rapid growth in demand for second-hand cars (Figure 1)

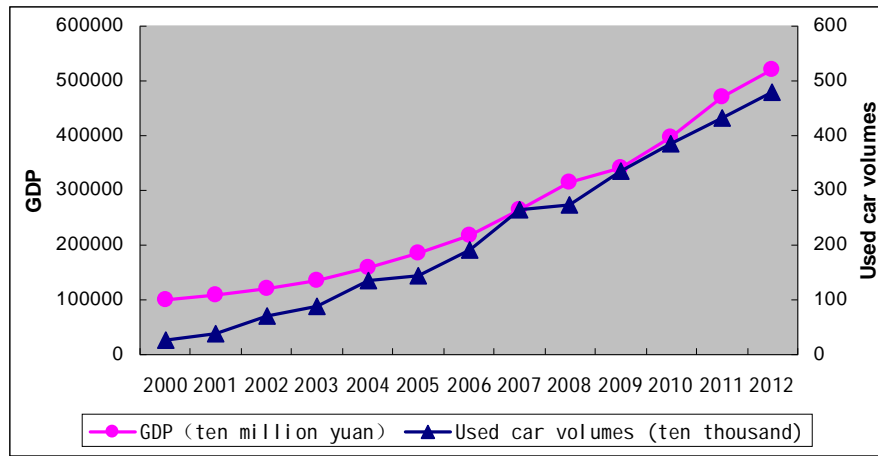


Figure 1. 2000-2012 China's GDP and Used Car Sales

3.3.2 A Good Investment and Financing Environment

In recent years, the global e-commerce industry has been promoted rapidly, and a lot of money has entered our country e-commerce industries. A large number of e-commerce platforms in financings enhance our liquidity strength of the used cars e-commerce platforms, and accelerate the promotion and development of e-commerce platforms. For example, current easy car network conducted a total of four financings shown in Table 2:

Table 2. Easy Car Network Financings

Financings	Financings time	Facilities	Investors
Round 1	October 2005	\$ 3,000,000	Lenovo
Round 2	September 2006	\$10,000,000	NVCC & DCM
Round 3	October 2007	\$ 15,000,000	Lenovo, DCM
Round 4	July 2009	\$ 12,000,000	BAI

In addition, November 17, 2010, easy car listed on the NYSE, financing \$ 127 million and becoming the first US-listed Chinese automotive industry related companies.

3.3.3 Online Shopping Market Has Great Potential

According to "China Internet Development Survey" shows that, as of the end of December 2012, China's netizens reached 564 million, and the annual total of new Internet users reached in 5090 million; Online shopping market transactions amounted to 1.2594 trillion Yuan, and increase of 66.5% compared with 2011. In addition, a large part of the development of networks promotes customers to choice the network to obtain the required information (Figure 2), and the network information aggregation; query on the advantages of convenience has been accepted by the majority of consumer groups. E-commerce platforms in the secondary Cars Dealers with the advantage of amount of information and convenience are gradually recognized by customers.

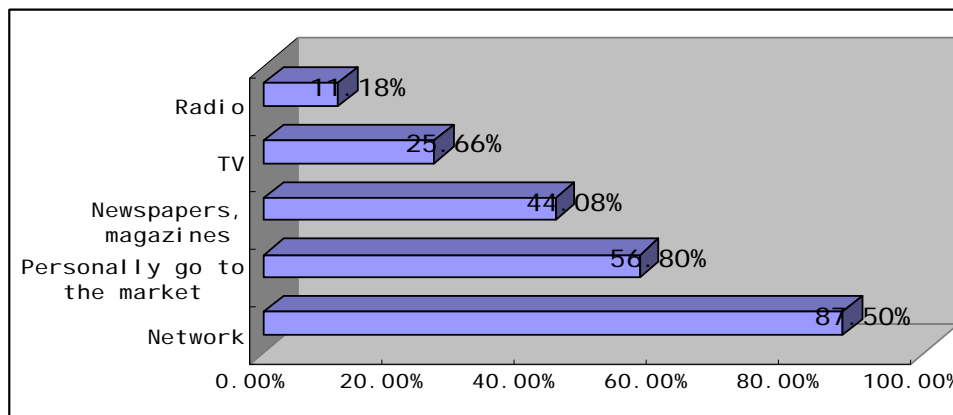


Figure 2. Ways That Consumers Get Used Cars Informations

3.3.4 The Government Support for Used Cars E-Commerce Market

To promote second-hand cars market, especially second-hand cars e-commerce market, with an orderly development, the government has introduced a series of policies and regulations to promote and regulate the used cars e-commerce market. Such as the Ministry of Commerce "on the Ministry of Commerce to promote the automobile circulation" twenty-five "development of guidance" that read: Encourage qualified enterprises to establish a used car auction platform, develop of online auction business, expand distribution channels used cars between enterprises, and gradually establish a nationwide distribution network of used cars auction, then promote the integration of resources and scale of operations in the whole used cars market.

3.4 Threats

3.4.1 Competition from Other Operating Modes

At present, China's second-hand car business model is still the more customary second-hand cars trading center and used cars franchise. Since e-commerce transactions have the virtual sex characteristics, combined with e-commerce credit system of second-hand cars are still not too perfected, making e-commerce used cars business model is far behind the development of other types. Although e-commerce platform can provide more detailed information, but it can't meet customer demand for a test drive in the buying process as trading patterns to other entities, so consumers lack of sufficient trust for transactions of used cars e-commerce platform.

3.4.2 The Relevant Laws and Regulations are not Sound

At present, China's e-commerce is the lack of clear laws and regulations, such as e-business standards, second-hand cars' trading standards and so on as a solid guarantee for used cars e-commerce development. In circulation like used cars, the introduction of the policy and the update rate are lagging behind, and cannot keep up the pace of advance of the used cars market. What's more, there are many policies around the nations are uncoordinated and tax systems have not yet formed a unified. All of these have seriously affected the inter-regional flow of used cars.

3.4.3 Online Payment Security needs to be Strengthened

How to protect the security of e-commerce activities are the core research areas of e-commerce. According to the China Internet Network Information Center survey shows, at present, there are 30.4% of users are feeling insecure, worrying stolen funds to instead of using pay online, and there are 11.8% of users worry account information leakage. For safety considerations, particularly capital and information security concerns become an obstacle to the user a major obstacle to online payment.

4. The Development of Countermeasures of used Cars E-Commerce

According to China used cars e-commerce's SWOT analysis, we propose the following strategies.

4.1 Establish a Unified National Management Agency

In order to standardize the used cars market and enhance customer acceptance of second-hand cars, it needs to establish a national second-hand cars unified management agency to carry out second-hand cars appraisal norms and unity. Through this agency cannot only be achieved only within the industry linkages, resource sharing, but also can play a very useful second-hand cars market supervisory and regulatory roles. Through this agency, standardized assessment process of used cars, establish access and registration system of used cars appraisal appraiser, and fully ensure second-hand cars appraisal norms and scientific. In addition, the agency should organize a used car appraisal team consists of technical, financial, legal and other sectors authoritative and experienced practitioners, which can integrated models, ages, kilometers traveled, vehicle components performance and other factors to develop a whole used cars appraisal industry standards, and modify it with the market situation's change, then can have a standardized management with appraisal and evolution.

4.2 To improve the Functions of used Cars E-Commerce Platforms

In order to better regulate second-hand cars in circulation in e-commerce platforms, and promote the progress of used cars e-commerce platforms, it needs to improve the function of used cars e-commerce platform (Table 3). Used cars e-commerce platforms perfect can lay a solid foundation for used cars' regional operation, and large circulate in nationwide.

Table 3 The Feature of Used Cars E-commerce Platforms

News Module	new cars released, industry policy, dynamic, and other related updates
Ad Module	used cars dealers publish all kinds of used cars advertising information
Link Module	Add another related website URL, link exchange, resource and information sharing
Vehicle Management Module	each vehicle manufacturer, brand, style, configuration, mileage and other conditions related to the number of data and images
Online Evaluation Module	automatic price assessment, providing customers with reference price
Online Trading Module	modules into used car auction, used cars online ordering module and online payment module
Customer Relationship Management Module	build customer profiles and credit mechanism, establish a communication platform with customers
Historical Price Lookup Module	including a model of new and used cars historical price lookup
Online Transfer Module	including agents used car trading procedures, such as the collection of various fees, etc.

4.3 Specificity Network Transactions, to Ensure Security of Online Transactions

The main bottleneck to restrict the progress of used cars e-commerce market is the consumer distrust of the used cars market. In addition to the second-hand cars appraisal conducted standardized, systematic management, there are some risks of online transactions, how to get clients to trust is the key point to the development of used cars e-commerce. On the one hand, the technical departments need to provide a lot of technical support, such as through the use of electronic money, electronic passwords, etc. to protect the electronic trading platforms' security. On the other hand, the introduction of risk protection mechanism through which companies pay the deposit, with the third-party payment platform for online payments, to ensure maximum payment security, then enhance customer confidence in used cars e-commerce platforms.

4.4 Innovate trading model, builds a good cooperation model

Establish a new generation of e-commerce system around the second-hand car market businesses and industry demands, including a comprehensive set of enterprise management business information, used car auctions, online trading, online transfer of vehicle ownership, vehicle sales and parts procurement and other business activities. Innovate used car trading patterns, strengthen cooperation in numerous trading patterns, and accelerate the nationwide coverage of second-hand cars trading network formation. At the same time, through cooperate with additional trading patterns to achieve rapid adoption of used cars e-commerce.

Firstly, it can form an "e-commerce + store" transaction. Through the information platform to show used cars' information, and then set up the store through membership trading channels, providing customers with on-site commissioning, inspection and other functions, and provide e-commerce payment function or live trading transactions. After the second-hand cars trading, e-commerce platforms and its memberships provide consumers with some surveys including warranty, insurance, online transfer and other related supporting services. This enables the full set of the benefits of both, making the information at the same time combining the trading experience, then achieving the purpose of serving more clients. In addition, you can combine the second-hand cars e-commerce to the outdated "4S" stores, turn into "5S" marketing model. Trademark car companies use the original e-commerce platforms. Through its family of brands provide used cars certification services, and post to the e-commerce platforms for automated transactions. This can use of customers' trust in the brand to solve the problems of trading unfair and opaque caused by asymmetric information between buyers and sellers, then protect used cars quality, price and service.

4.5 To Establish and Improve the Service System

In today's global competition, used cars e-commerce platforms need to improve its business philosophy, put the customer's needs first, and establish a sound service system, including guaranteeing the quality of the main parts, providing a certain time or mileage warranty, periodic vehicle maintenance, etc., to form one-stop system services. So it can remain invincible in the competition.

Firstly, create a second-hand cars sales network covering the whole country which match second-hand car sales service network, through the uniform training and assessment of used cars staff to form a cohesive service standards used cars. Secondly, dealers and customer of electronic contracts or utilized the insured service system in the used car sales to protect the rights of parties to the transaction. Last but not least, build customer profiles and customer platform, and actively visit or communicate with clients through the platform, to keep abreast of the problems encountered by consumers, solicit customer feedback and continuously improve service quality.

5. Epilogue

In the customary second-hand cars market, buyers and sellers game in the "market for lemons". Based on the emergence of used cars e-commerce model, it increases the transparency of information, while reducing the company's working capital, which is more reasonable profit on sales, buyers and sellers on the used cars market confidence. Compared to other second-hand cars business model that is still in its infancy, there are also disadvantages restricting its development and external threats, but it also exist strengths and external opportunities to promote its development. For achieving the development of used cars e-commerce, we need a correct understanding of the environmental factors influencing its development, while avoiding disadvantages, then establish a unified national governing body, through the ways like rich capabilities of platforms, standardize network transactions to achieve used cars e-commerce business model in an ordered way; simultaneously through a rich trading patterns, combined with other business models and improve the service system to achieve used cars e-commerce business model to maximize profits, and enhance the confidence of all participants.

6. References

- Li Fucang, automotive e-commerce [M], Beijing: People's Communications Press.
- Chen Yongge, Used Cars Trading [M], Beijing: Mechanical Industry Press.
- Sun Feng, the design and implementation of used cars e-commerce platforms [D], Beijing: Beijing University of Posts and Telecommunications, 2009.
- Wang Wenshan, Wang Hongying, the development of Used Cars e-commerce marketing model [J], China Business, 2009, ,17:85-86.
- Zhang Lijun, the U.S. used cars market Model [J], Shanghai Automotive, 2010, 10:54-58.
- Liu Zhangmei, Xu Wei. Network marketing – the new model of used-car marketing [J]. Today wealth (financial development and supervision), 2011,11:55.
- Long Yan. Used car marketing strategy research based on the network environment [J]. China business, 2012,09:35-36.
- Tan Lu, Teng Xiaoyan, Li Shu. Used car marketing research - from the perspective of network marketing mode [J]. China storage and transport, 2013,07:115-117.
- Luan Zhaoyu. Research on brand used car marketing mode in China [D]. Jilin University, 2011.
- Fund: Shanghai University of Engineering Science Graduate Innovative project funding (project label: A-0903-13-01034)