

The Future Development of China Commercial Automobile Water Ro-Ro Transportation Market

Hao Lv

School of Management, Wuhan University of Technology, Wuhan 430070, China

Tel: 86-27-6268-8931 E-mail: luhao@126.com

Abstract

Water Ro-Ro transportation becomes more and more important in China commercial automobile transportation market. The potential market is considerable. The fast development of China automobile industry brings about sufficient market space. The transportation characteristics and the evident location advantages contribute a lot to its further development. Confronting with such a marvelous market opportunity, China water transportation enterprises should focus on continuous innovation, providing with overall logistics services for automobile logistics, pushing the development of China commercial automobile Ro-Ro transportation market.

Keywords: Automobile, Ro-Ro transportation, Water transportation, Logistics

1. Introduction

After years of development, China automobile industry has already gained significant progresses. According to data from Federation International Automobile (FIA), in 1999 China's automobile production was 1,805,000, being the No.9 in the world. In 2007, the number increased to 5,600,000, being the No.3 in the world. It is reasonable to predict that the demand for automobile will sustain a high growth along with the continuous increase of China civil economy and the constant improvement of people's living, which will drive the perfection of automobile industry structure and the stable increase of production, and further push the enlargement of commercial automobile logistics scale. All these factors will inevitably bring about new chances for developing commercial automobile water Ro-Ro transportation.

2. Opportunities for developing China commercial automobile water Ro-Ro transportation market

2.1 The fast development of China automobile industry serves as a guarantee for the market scale of commercial automobile water Ro-Ro transportation market.

Since the performance of reform and open policy, China government helps automobile industry to realize the structural adjustment and finally formulate a "3+X" industrial structure ("3" refer to the first-order groups, including Shanghai Auto, China FAW Group, and Dongfeng Motor Cooperation that are supported by the government strongly. "X" refers to the second-order groups, including Changan Group, Beijing Hyundai, Guangzhou Automobile Group, Nanjing Automobile (Group) Cooperation, Shenyang Huachen Automobile cooperation, Hafei Auto, Changhe Auto, Jianghuai Automobile Cooperation, Soueast Motor, and Jiangling Motors Cooperation), in order to improve the international competitiveness of "made-in-China" automobile. As a result, these core automobile production enterprises' production centralization and the ratio of "made-in-China" automobiles have been improved to a great degree. Meanwhile, because of continuous and powerful pulling of domestic demand, China automobile industry sustains a stable increase in recent three years. On one hand, the output rises at a rate of 12% annually. On the other hand, the products structure is optimized. The output and proportion of saloon cars keep in rising. The automobile industry is prosperous in both production and sales.

Before 1990, China automobile market focused on public purchases. The demand was extremely low. 70% of demand was from governments or public causes, 30% or so commercial purchases, and seldom private field. After 1990, public purchase decreased, commercial demand increased, and private purchase started. Since 2002, private purchases have occupied more and more market shares, exceeding 70% of total market shares in 2003, what means the automobile market enters a stage of private purchases. In this stage, saloon car market will expedite to enter the growth period. The private demand far surpasses the public demand, which is an excellent chance for China automobile industry achieving sustainable and fast development. Therefore, during the next twenty years saloon cars will drive the development of automobile industry in China. Saloon cars will occupy a larger proportion in domestic market. It is predicted that more and more saloon cars will enter Chinese families from 2008 to 2010, and after 2010 the growth tends to be stable. The market of passenger cars and trucks will be saturated in the year 2020 or so. Changes of internal market demand structure will become the main development trend. During the next 10-15 years, China will have a great demand for automobiles. The market demand will surpass 10,000,000.

The improvement of automobile industry structure and the stable increase of output objectively provide with possibilities for commercial automobile's scale transportation and storage. Besides, China's wide area helps to separate automobile production from consumption in time and space. Regional sales market comes into being. All these factors contribute to the continuous growth of commercial automobile water Ro-Ro transportation market.

2.2 Characteristics of water Ro-Ro transportation can benefit the rise of commercial automobile transportation's share in market

In China commercial automobile market, purchases can be realized by three ways, namely highways, railways, and water, except for customers taking the automobiles by themselves. In today's domestic commercial automobile transportation, highway transportation occupies the largest market share, nearly 80%. Highway transportation possesses unique competitive advantages because of its "door-to-door" service, convenience, and speed. But it does not have competitiveness in price, safety, and goods completeness. Railway transportation occupies a larger proportion, about 12%, that is higher than that of water transportation in commercial automobile transportation. It can achieve ideal speed. But it has lots of rings in transportation. And the transportation price is higher.

Although water transportation merely occupies 8% of market share presently, it has obvious advantages in price and volume, what is right for commercial automobile's large-volume and long-distance transportation. That is why water Ro-Ro transportation can gain further development. Water Ro-Ro transportation can reduce goods damages to a great degree, guaranteeing the quality of transportation, which is extremely more important for the transportation of high value-added goods, such as automobile. Comparing with other commercial automobile transportation ways, water Ro-Ro transportation has certain disadvantages indeed. These disadvantages restrain the development speed of water Ro-Ro transportation in a sense. In detail, water Ro-Ro transportation is not right for small-scale transportation. Only when the transportation volume reaches certain degree, can it realize a scale effect. Besides, water Ro-Ro transportation consumes longer time. If confronting with huge wind, frost, flood, and other natural disaster, the transportation period will be affected heavily. However, it is predictable that along with the continuous enlargement of China commercial automobile logistics, advantages of water Ro-Ro transportation will become more prominent step by step in the price, safety, goods quality guarantee of large-volume and long-distance transportation.

2.3 Water transportation channels based on location advantages give commercial automobile water Ro-Ro transportation market new growing point.

China automobile's main production and sales regions are completely in accord with China's T water transportation structure. China's large automobile production enterprises whose yearly production value can realize several billion Yuan mostly locate around Yangtze River region and seaside. Shanghai Auto, China FAW Group, and Dongfeng Motor Cooperation locate in the T transportation structure. In 2007, the market shares of the three giants' main types realize 38.38%, 1.56%, and 8.52% respectively, occupying an important position in China's saloon car industry. Plus Changan Auto, Qingling Motors, Fengshen, Quanshun, Changhe, Chery, and many other automobile enterprises that locate in the same region, they occupy the most of domestic saloon car, mini car, small passenger car, and truck market. In fact, more than 80% of market demand focuses on the developed T region in China. Therefore, using water channels to develop water Ro-Ro transportation has evident advantages in location. Water Ro-Ro transportation has a greater development space in future.

At present, Shanghai Auto takes water transportation as the main automobile delivery way in south China, middle and south China, southwest China, which is the main business of Yangtze River Ro-Ro transportation. China FAW Group has constructed relatively perfect transfer warehouses in south China. It is extremely right for ocean Ro-Ro transportation. Dongfeng Group chooses water transportation to deliver its automobiles in southwest China, which accounts for one third of its total delivery. The three automobile groups have a huge market space in water transportation field. For the long run, many other automobile enterprises, such as Chongqing Changan, Chongqing Qingling, Hainan Mazda, Guangzhou Honda, Yancheng Yueda, Nanchang Changhe, and Xiangfan Fengshen, may serve as potential customers for water transportation. Presently, these automobile enterprises begin to choose water transportation more or less. Along with the enlargement of their outputs, it is more possible for them to choose water transportation. In three years, more and more automobile delivery will be realized by water transportation. Surely, the T water Ro-Ro transportation net that runs through Yangtze River and the seaside has a great potential in future.

3. To make water transportation companies provide with overall logistics services is the key to explore commercial automobile water Ro-Ro transportation market.

Facing up with valuable development chances for commercial automobile water Ro-Ro transportation market, water transportation companies must change their traditional corporate positioning, cultivating and exploring new market by new ideas, new models, and new methods, grasping chances, winning market, and achieving fast development.

Automobile production is kind of mature socialized manufacturing. It is hard for it to reduce material consumption

or improve labor productivity. Management practice shows that to adjust commodity's flowing volume and speed in circulation field is the third important source for cost control and profit creation. It has more potential than enhancing more pressure on production field. For example, General Motor (GM) achieves outsourcing by employing a special logistics company, Automotive Consolidation, to transfer its automobile parts, what can help to save about 6-8 million dollars annually. Ford chooses to cooperate with UPS in its automobile delivery. In China, Shanghai General Motor employs APL to solve its delivery. Under the new economic condition, because of the execution of corporate refocusing strategy, logistics services' strategic outsourcing has become a widely-accepted strategy for all automobile enterprises in the world. Also, in China's commercial automobile transportation market, the water transportation companies, as the service providers of automobile delivery, must possess the capabilities of cooperating with automobile enterprises, providing with overall services for the later. Therefore, water transportation companies should position themselves as overall logistics service providers, what is the key to further explore commercial automobile water Ro-Ro transportation market.

In order to provide with overall logistics services for automobile products, logistics service providers must satisfy these requirements as follow in product flow, capital flow, and information flow.

Firstly, the circulation of automobile products concerns with transportation, storage, maintenance, transfer, allocation, delivery, and many other aspect. In the overall logistics service, the most fundamental point is to provide with "door-to-door" transportation. Commercial automobile water Ro-Ro transportation companies are centered in seaside and Yangtze River. The further perfection of products flow depends on the improvement of highway transfer power. In programming most economic ways for logistics, it is necessary to cooperate with highways and railways and achieve associated transportation for the sake of customers benefit. Besides, because of the large volume in commercial automobile water Ro-Ro transportation, it is a must to construct relevant transfer warehouses around Ro-Ro transportation ports, which can also serve as basic equipments for other logistics services, such as storage and maintenance. Ro-Ro transportation companies can solve this problem independently or by cooperating with storage companies and automobile enterprises.

Secondly, automobile is a kind of expensive product. It occupies a large proportion of capitals in transportation. Logistics service providers should decrease the logistics costs and the occupation of capital in transportation as much as possible. At present, Shenyang Jinbei and Guangzhou Honda execute the "zero storage" and Just in Time (JIT) management models. Determine the production by the sales. Achieve many-times and small-volume transportation. Because of the small transportation volume, it is uneconomical to choose water transportation. In the future, public highway carriers can achieve regular transportation, collecting random transportation demand together to satisfy the highly-intense and small-volume transportation.

Thirdly, automobile logistics is driven by sales and logistics affects sales market directly. Automobile enterprises, distribution branches, logistics service providers should cooperate and coordinate with each other in the organization of logistics, enhancing information communication and improving control over logistics process. Information can help to realize a transparent logistics process, reducing its uncertainty greatly. Logistics service providers can share information with customers by Internet, what can improve customers' satisfaction effectively, achieving an increment effect in logistics management. Meanwhile, the transparent logistics process can help to realize a transparent internal management in logistics service providers. They can adjust and control the business operation based on information platform, guaranteeing the total quality and overall efficiency of logistics service. Besides, along with the development of net technology and electronic commerce, the online automobile purchase begins. Individual consumer has high requirements in logistics speed and exact service. Therefore, logistics service providers should construct more advanced information system to meet the demand. In order to keep space with the development trend, logistics service providers must build up the information platform that associates and connect with others.

The construction of strategic partnership in logistics service field provides with a stable and effective logistics support and guarantee system for automobile enterprises, reducing the self-operation costs and obtaining high-quality service. At the same time, water transportation companies obtain reliable and high value-added customer sources, reducing business risks. More important, commercial automobile water Ro-Ro transportation market will obtain a wider development space inevitably.

4. Conclusion

To sum up, China automobile industry develops very well at present, what will contribute to the large-scale demand for commercial automobile logistics service. At the same time, water Ro-Ro transportation possesses an irreplaceable advantage in commercial automobile transportation market. In China, the automobile production and sales regions are rightly in accord with the T water transportation structure, what makes water transportation

channels become a growing point for commercial automobile water Ro-Ro transportation market. China water transportation companies should position themselves as overall logistics service providers. Starting from the product flow, capital flow, information flow, and other logistics rings, these water transportation companies should integrate customers sources, construct strategic partnership with automobile enterprises, grasp market opportunities, and push the development of China's commercial automobile water Ro-Ro transportation market further.

References

Handfield B. & Nichols L. Jr. (1998). *Introduction to Supply Chain Management*. US: Prentice Hall.

Kikuchi. (1999). Translated by Ding, Liyan. *Logistics System Engineering*. Beijing: Tsinghua University Press.