

Automotive Parts



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AUTOMOTIVE PARTS

Supplier capability in China

EXECUTIVE SUMMARY

China's automotive parts industry will continue to rely on the repair and replacement sector to drive exports in the year ahead as orders from the beleaguered vehicle assembly segment continue to drop.

Up until late 2008, some suppliers were actively pursuing OE contracts with carmakers, an arrangement that would enable the former to offer products at prices 20 percent higher than replacement models.

This export thrust changed in Q4 2008 when new-automobile sales started to falter due to the global economic crisis.

In contrast, the aftermarket continued to thrive as consumers turned to maintaining their existing vehicles rather than purchasing new cars.

The shift in market focus helped the industry stay on the growth track last year. Sales jumped 14 percent and exceeded \$20.6 billion while volume went up 3 percent to 8 billion automotive lights, wheels and tires, electronic components and engine and mechanical parts.

Nearly half of revenue came from exports of car, bus and truck tires, and wheels and parts.

Amid the emphasis on the aftermarket, many companies are undertaking improvement efforts commonly associated with OE-based operations. These include investing in advanced manufacturing equipment, management systems, skilled personnel and compliance with stringent industry standards.

The following are some of the key trends we see in China's automotive parts export industry:

- The downward trend in prices will continue in the next six months even though material costs have again started to climb. This is thanks largely to the stabilizing yuan-dollar exchange rate, which has enabled

suppliers to address cost concerns more effectively. Price cuts will be limited mostly to 5 percent. Some companies, however, are more optimistic with projections and are planning to slash quotes by as much as 15 percent.

- Many companies have set moderate growth targets ranging from 10 to 20 percent, matching the 23 percent average rate the industry has posted annually since 2007.

- The EU will remain an important market in the year ahead. Legislation there provides 4S centers with the option of procuring spare parts and components from non-OEM suppliers. Many China makers, however, will be strengthening their presence in nontraditional destinations such as Central and South America and the Middle East as demand from the US continues to slow.

This report covers automotive lights, brakes, tires, electronic components, and engine and mechanical parts. They are described separately in terms of construction, key features and specifications. Factors distinguishing low-end, midrange and high-end products are also discussed.

Further, the report elaborates on each segment's manufacturing base, highlighting the main characteristics and exporting capability of small, midsize and large makers.

The Industry Overview focuses on major issues affecting production and exports and how companies are coping with these challenges.

To reflect the industry structure, most of the suppliers in this report are China-owned with direct exporting capability.

In addition, 45 percent of profiled companies are located in Guangdong, Jiangsu and Shandong provinces, China's three-largest exporters of automotive parts.

In this report

- 20 in-depth company profiles
- 17 additional suppliers
- 79 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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INDUSTRY OVERVIEW

Heavy aftermarket orientation will be critical in sustaining growth in China's exports of automotive parts amid the global economic recession in the months ahead. This comes as suppliers shelved plans of shifting to the more-lucrative OE segment.

Customs statistics for 2008 show revenue from aggregate shipments of vehicle lights, electronic components, engine and mechanical parts, and wheels and tires rising 14 percent to more than \$20.6 billion.

Volume, on the other hand, grew by only 3 percent to reach 8.1 billion units.

Taken on its own, the last figure is of minimal significance. The fact that full-year numbers remained on the growth track, however, is notable considering that volume in the fourth quarter of 2008 dropped 12 percent year-on-year. Revenue during the same period fell 10 percent.

Further, Q4 2008 statistics are 19 and 17 percent lower than export volume and sales between July and September of the same year.

The downward trend is a result of slowing car production in the US and, to some extent, Europe. The former is the industry's single-largest export destination, procuring \$5.3 billion worth of automotive parts from China in 2008.

This narrowed expansion opportunities for makers looking to establish partnerships to manufacture vehicle parts and components that will be used during assembly or sold in authorized 4S shops.

Weakening demand for such products is prompting companies to focus on aftermarket designs.

The sector is one of the few export industries in China benefiting from the global economic and automotive crises. This is because many consumers, with diminished purchasing capability, are opting to maintain their existing cars rather than purchase new or additional vehicles.

The Block Exemption Regulation 1400/2002/EU is also driving makers of automotive bulbs to pursue the repair and replacement segment in the area.

The rules allow 4S centers in the EU to source spare parts and components of equal or better quality from independent or non-OEM suppliers.

Enhancement efforts

To strengthen their foothold in the aftermarket, China companies are upgrading capability to levels that would put them on a par with OEM or OES-driven operations.

The most common of such endeavors is ISO/TS 16949 compliance.

First published in 1999 and revised in 2002, the standard aligns and supersedes the guidelines of several international quality systems, including QS-9000, VDA 6.1, EAQD94 and AVSQ95.

More importantly, ISO/TS 16949 defines the minimum requirements that many top vehicle assemblers have for their OE providers. It covers the design, development, manufacture, installation and service of automotive parts.

Conformance and certification takes at least two years. Financing could reach \$7 million.

Among makers of suspension parts, compliance involves boosting operational efficiency through the use of advanced equipment.

With an accuracy rate of 100 percent, automatic car spring testers help lower defect and order rework rates. Costing more than \$100,000 each,

Supplier summary

Suppliers surveyed	20
Export sales	\$347.3mn
Export ratio	59%
OEM business	50%
Capacity utilized	64%
Annual R&D spending	\$37.6mn
Full-time employees	6,176

Data: All surveyed suppliers

the machine detects flaws and checks height, diameter and load capacity.

In addition, suppliers are adopting CNC equipment, semiautomatic assembly lines and a range of ERP management systems in production.

Companies are also hiring personnel with extensive design work experience to bolster R&D. Teams often collaborate with clients and use input to develop suspension parts that follow the specifications of various car brands and models on Pro/E and AutoCAD software.

Limited OE ties

Amid the industry's aftermarket orientation, certain product lines do have OE presence, albeit on a limited basis.

In the automotive bulbs sector, long-term contacts with major car assemblers both within China and overseas are common among foreign-invested and state-owned enterprises, most of which are large.

Shanghai Koito, for example, is an OEM supplier of Volkswagen, GM, Toyota and Nissan. The company was formed through a partnership between

Major customers

Company	
Chongqing Lange	Nasr (US); Naita (Russia); Sageer (UAE)
Clevermind	Optronics (US)
Huntington	Ford (US); Mazda (Japan); Porsche (Taiwan)
Qingdao Rulong	AL-KO, Fliegl (Germany); PJ-Trailers (US)
Shenzhen A.T.R.	Driaanse Import & Export (Netherlands); Auto Center Zona Libre (Spain); Lampa S.P.A. (Italy)

Data: All surveyed suppliers

911 (Ningbo) Safety Signal Equipment Co. Ltd

With exports of automotive lights averaging 56,000 units monthly, 911 generated a total of \$2.8 million in outbound shipments last year, accounting for 93 percent of revenue in the line.

North America and the EU are the primary markets, each absorbing 30 percent of exports. The Middle East ranks as the second-largest destination, with a 20 percent share of products sent abroad.

Sixty percent of shipments are under OEM contracts, while about one-third is made on an ODM basis.

Designs carrying the in-house brand account for 10 percent of exports.

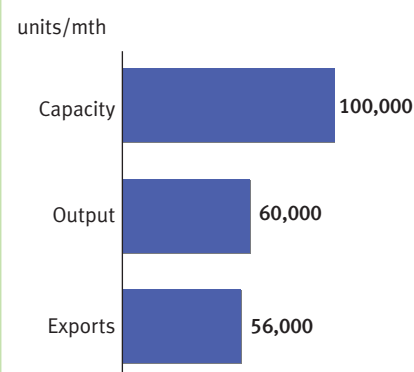
An automotive lights specialist, 911 invests \$100,000 in R&D, or about 3 percent of annual sales. Products are made in an ISO-compliant factory, where capacity utilization is at 60 percent. Output reaches about 60,000 units per month.

The plant has 100 workers, six of whom are in charge of QC.

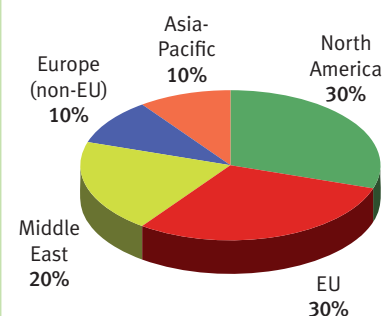
911 is projecting export sales to grow more than 20 percent in the next 12 months. It will raise capital expenditure by half.

Profile

Production



Export markets



Contact details

Business contact

CAI Susan

Phone

(86-574) 8832-5181

Fax

(86-574) 8832-5182

E-mail

sales@911signal.com

sl-strobe@globalsources.com

URL

www.911signal.com

www.globalsources.com/sl-strobe.co

Address

Qianzhou, Chenpodu Industry Park,
Yinzhou, Ningbo, Zhejiang, China

Company facts

Year established	2001
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Ningbo (Zhejiang)
Number of factories	1
Factory location(s)	Ningbo (Zhejiang)
Total factory area	5,000sqm
No. of full-time employees	100
No. of R&D/design staff	9
No. of QC staff	6
Annual sales (all products)	\$3.0mn
Annual R&D spending	\$100,000
ISO certification	Yes

Sales & output: Automotive parts

Annual sales	\$3.0mn
Share of total sales	100%
Annual export sales	\$2.8mn
Total monthly capacity	100,000 units
Average monthly output	60,000 units
Capacity utilized	60%
Average monthly exports	56,000 units
Export ratio	93%
OEM % of exports	60%
ODM % of exports	30%
OEM % of exports	10%

Capability

Production checklist

CNC machines	—
Casting lines	—
Dynamometers	—
X-ray machines/systems	—
Fatigue testing machines	—
Assembly lines	—
Makes molds in-house	Yes

Exports by product

Automotive lights	100%
Brake parts	—
Tires & rims	—
Electronic components & parts	—
Engine & mechanical parts	—
Motorcycle parts	—

Exports by market

North America	30%
European Union	30%
Europe (non-EU)	10%
Asia-Pacific	10%
Middle East	20%
Other	—

Outlook

- **Export prices**
Increase
- **Export price increase**
More than 15%
- **Export sales**
Increase more than 20%
- **Target market**
Europe (non-EU)
- **Capital expenditure**
Increase more than 50%
- **Major challenge**
Design copying/piracy
- **Export capability**
Widen product range
- **R&D focus**
Enhanced performance

Popular export models



Automotive light

Model	LV100
Minimum order	1 unit
Packaging type	Buyer-specified
Delivery time	3 days
Indicated price	•

Description: LED stealth visor; 40W; 12V; 40 diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy housing; PMMA lens; SAE



Automotive light

Model	N500
Minimum order	1 unit
Packaging type	Buyer-specified
Delivery time	3 days
Indicated price	•

Description: LED strobe light; 12W; 12V; four diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy base; PMMA lens; for headlights; SAE



Automotive light

Model	F413-2
Minimum order	1 unit
Packaging type	Buyer-specified
Delivery time	3 days
Indicated price	•

Description: LED strobe light; 6W; 12V; six diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy housing; PMMA lens; SAE

• Information not disclosed

PRODUCT GALLERY

Automotive lights



911
(profile page 34)
Model: LV100
Minimum order: 1 unit
Packaging type: Buyer-specified
Delivery time: 3 days
Indicated price: •
Description: LED stealth visor; 40W; 12V; 40 diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy housing; PMMA lens; SAE



911
(profile page 34)
Model: N500
Minimum order: 1 unit
Packaging type: Buyer-specified
Delivery time: 3 days
Indicated price: •
Description: LED strobe light; 12W; 12V; four diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy base; PMMA lens; for headlights; SAE



911
(profile page 34)
Model: F413-2
Minimum order: 1 unit
Packaging type: Buyer-specified
Delivery time: 3 days
Indicated price: •
Description: LED strobe light; 6W; 12V; six diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy housing; PMMA lens; SAE



911
(profile page 34)
Model: F490
Minimum order: 1 unit
Packaging type: Buyer-specified
Delivery time: 3 days
Indicated price: •
Description: LED beacon; 13W; 12V; 12 1W diodes; 100,000 hours service life; red, yellow, blue, white, green; ABS housing; PC lens; SAE



911
(profile page 34)
Model: F910
Minimum order: 1 unit
Packaging type: Buyer-specified
Delivery time: 3 days
Indicated price: •
Description: LED lightbar; 160W; 12V; 150 1W diodes; 100,000 hours service life; red, yellow, blue, white, green; aluminum alloy housing; PC cover; SAE



Chongqing Lange
(profile page 36)
Model: Sealed Beam Lamp For PAR36
Minimum order: 500 units
Packaging type: Buyer-specified
Delivery time: 30 days
Indicated price: •
Description: 30, 50, 100, 150, 650W; 6.2, 6.4, 12.8, 13, 28, 120V; 25 to 300 hours service life depending on application; C6- or CC-6 filament; for various applications; E-mark, E1, E4, CE, SGS

• Information not disclosed

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