Opportunity and Challenge in Vehicle Accessory Industry

Carmax Company Limited
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-Presentation Abstract -

(一) Introduction of Carmax

(二) Auto Market in Chinese Taipei and China

(三) Market Analysis

(四) Business Topics and Strategies

(五) Vehicle Industry’s Trend
(一) Introduction of Carmax
1.1 Company Profile

| Founded | 1991~2000, Car body maker of heavy-duty vehicle  
|         | 2001~, Auto Parts & Accessory |
| Capital | US$ 83 million --- 2.4億元(NT$) |
| Stockholder | 100% belongs to Hotai(和泰) Group |
| Locations | Head office in Jhong-Li (中壢)  
|           | Main Warehouse in Yang-Mei (楊梅)  
|           | PIO & PDI workshops (台北港,中壢,觀音) |
| Business | Planning, developing and marketing for Toyota genuine accessory and after service parts  
|          | PIO & PDI (local car, import car, export car) |
Management Philosophy

- Offer innovative products with value-added service.
- Meet customers' needs from all over the world.
1.3 Yearly Revenue

Vehicle Sales Record

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>97,324</td>
<td>97,916</td>
<td>73,463</td>
<td>105,571</td>
<td>94,667</td>
<td>113,792</td>
</tr>
</tbody>
</table>

Bar chart showing vehicle sales record from 2006 to 2011.

Pie chart showing revenue distribution:
- Tire: 6%
- Chemical: 3%
- Oil bottling: 1%
- Service Parts: 14%
- Accessory: 75%

(NT$ 10 Million)
Auto Market in Chinese Taipei and China
2.1 Market in Chinese Taipei

**Whole Market Scale**

Unit: thousand (number of cars)

- 2001: 347
- 2002: 398
- 2003: 414
- 2004: 484
- 2005: 514
- 2006: 366
- 2007: 326
- 2008: 229
- 2009: 294
- 2010: 327
- 2011: 378
- 2012: 370
We predict the sales volume of new passenger cars will increase 1 million units each year. It will reach 15 million in 2015.

Sales of TOYOTA cars will also increase in accordance with market needs. The market share are expected to reach 10% in 2015. (1.5 million units)
2.3 Vehicle accessory market in China

The accessory cost per vehicle PIO is estimated to be RMB 300 dollars, DIO is to be RMB 1,000 dollars.

TOYOTA annual accessory market will reach RMB 20 billion dollars in 2015.
(☰) Market analysis
3.1 Market Analysis

Accessory Market

W (Weakness)
- Demand for new cars has slowed down, which affects accessory market to shrink.
- Severe price competition in after-market.
- Short product life cycle, price competition from other suppliers’ copy products.

T (Threats)
- New car market maintain 35~40 thousand units
- Sales Scale Normalization

S (Strengths)
- Carmax has ability to develop TGA and has sufficient line-up accessories.
- Strong ability on electronic products’ development and manufacturing.
- Full logistic support from suppliers between Chinese Taipei and China.

O (Opportunities)

Exploring Foreign Business, Utilize Chinese Taipei’s Experience to get into China Market.
3.2 SWOT analysis

**Strengths (S):**
1. Brand advantage and full support from TOTOYA family.
2. Chinese Taipei’s channels steadily grow.
3. Leading R&D ability in accessory market.
4. Sales volume of GCC vehicles increased each year.

**Opportunities (O):**
1. Establish distribution channels in China.
2. Exploring manufacturer channels in China.
4. Start OEM

**Weaknesses (W):**
1. Business scale is limited by new cars’ market.
2. Accessories are limited in TOYOTA vehicles.
3. Development divisions are insufficient.
4. Staff cultivation takes time.

**Threats (T):**
1. Improvement of China R&D skills.
2. Requirement of lower price in GCC PIO market.
3. “CARMAX” brand is less known in foreign economies.

Think Globally, Act Locally, Exploring China Market
### 3.3 2011~2015 Business Strategies

- Invest potential suppliers.
- Search for business partners.
- Accessory development for common use.
- Explore cross-brand OE/PIO business.

**Root in Chinese Taipei**

**Expand to the Overseas**

- Smart audio and video system.
- Exterior, Interior, Security technology, and CAN system.
- Complete supply chain.
- Global logistic.

- Exploring Export Business
  - Reduce dependence on domestic market.

- Expanding cooperation with GACB.

- Invest potential suppliers.
- Search for business partners.
- Accessory development for common use.
- Explore cross-brand OE/PIO business.

- Explore TMAP (East-south Asia)
- TMC (Japan)
- Emerging market (Middle East, India, Russia)

- Develop attractive accessories to assist new car sales.

- Engaged in core business vertical integration, increasing brand value.

- Build channels in China, expanding cooperation with GACB.

- Export from Chinese Taipei + Assemble in China
- China order + OEM
- Made in China + Sale in Chinese Taipei
3.4 2011~2015 Business Tactics

- New Car Accessory (DIO)
- Domestic /Overseas PIO
- OE/In-line Accessory Export
- Package Car
- Second-line Universal parts (Spark Plug, LPG, MVP...)
- Service Accessory

Strengthen Value Chain
(四) Business Issue and Strategy
## 4.1 Business Issue and Strategy

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy 3</td>
<td>Develop OBM, Access to cross Brand’s Accessory Market.</td>
</tr>
<tr>
<td>Policy 4</td>
<td>Cultivate High Quality Staffs, Enhance Self R&amp;D Capabilities.</td>
</tr>
</tbody>
</table>
In 2011 TOYOTA in Chinese Taipei had exported 50 thousands units to GCC economies.

PIO I/R rate: 60% ~ 65%

GCC economies:

<table>
<thead>
<tr>
<th>SAUDI ARABIA</th>
<th>KUWAIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.A.E</td>
<td>QATAR</td>
</tr>
<tr>
<td>OMAN</td>
<td>BAHRAIN</td>
</tr>
</tbody>
</table>
Taipei Port PIO Workshop/Production Capability

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>Now</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIO acreage</td>
<td>775㎡</td>
<td>1,250㎡</td>
<td>160%</td>
</tr>
<tr>
<td>Stall work</td>
<td>11</td>
<td>14</td>
<td>127%</td>
</tr>
<tr>
<td>Workers</td>
<td>28</td>
<td>36</td>
<td>129%</td>
</tr>
<tr>
<td>PIO yard capability</td>
<td>96</td>
<td>147</td>
<td>153%</td>
</tr>
<tr>
<td>PIO production</td>
<td>1,890 per</td>
<td>3,150 per</td>
<td>167%</td>
</tr>
<tr>
<td>capability</td>
<td>month</td>
<td>month</td>
<td></td>
</tr>
</tbody>
</table>

Before PIO workshop 2009/1-2010/6

Now PIO& Export Yard

Now PIO workshop 2010/7-
# Export Product

## AVN & Technology Products (11)

- AVN
- DVR
- CCD
- LCD

## Exterior Products (7)

- Parking Sensor
- Parking Sensor with Voice Warning
- Reverse Gear Linked Side Mirror
- Multi-function Side Mirror
- Remote Trunk Control
- HUD
- Door Mirror Cover
- Aero Package with DRL
- Daytime Running Light

## Interior Products (4)

- B column/Trunk sticker
- Scuff Plate with Floor Illumination
- Pattern for Interior Panel
- Floor Illumination
- Arm Rest Chrome Garnish
Case 2

Build Distribution Channels in China, Acquire the Huge Accessory Business Opportunity.

- Establish channels in Shanghai and Guangzhou to expand new accessory business in China.

- Establish cooperation with manufacturer • and become the Tier 1 supplier.
Apply Systematic Sales Model for Car Accessory

Market survey → Evaluation → Product planning

Distribution management → Installation training → Product education

Training material

廃棄商貿系統化精品規廣活動
Marketing Process

- Product differentiation
  - Customer favorite
- Package price
  - Purchase/sale price
- Sales mode
  - Package
- Award system
  - Profit
- Service/install conditions
  - Context
- Installation education
  - Training

Features:
- AVN
- Head Restraint Monitor
- 5.0 speaker
- 10" bass
- Voice Reminding
- Rear Emergency Lighting
- AVN+DVR
- Head Restraint Monitor
- Remote Engine Starter
- Window control
- LED DRL
- Massage seat
Strength sharing with China

- Sourcing + Manufacture
- Design + Development
- Market
- Marketing

China
Taiwan
(五) Vehicle Industry’s Trend
5.1 Vehicle Industry’s Trends

● Developmental Direction

<table>
<thead>
<tr>
<th>Past</th>
<th>Present and Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car</td>
<td>Parts and Accessory</td>
</tr>
<tr>
<td>Domestic Channel</td>
<td>Domestic and Overseas Channel</td>
</tr>
<tr>
<td>Manufacture</td>
<td>Development, Design, and Brand</td>
</tr>
<tr>
<td>Hardware</td>
<td>Electronic Control and Software</td>
</tr>
<tr>
<td>Performance</td>
<td>Energy Saving and Safety</td>
</tr>
</tbody>
</table>

● New Industry

- Automotive Electronics (3C application)
- Security System
- LED Photoelectric
- Hybrid
- Wireless Transmission
- Video and Audio System
5.2 Vehicle Industry’s Trends

Automobile industry can extend to diversity fields. The key point is: • **Advantageous Products**
• **Strong Sales Channels.**
Thank You for your Listening