Chapter 2
Are You Ready for Change?
China Automakers

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ABSTRACT
This chapter discusses the factors that influence the decision of Guangdong residents to purchase Chinese-brand automobiles. Based on the well-known theory of planned behavior, this chapter builds a predictive model to explore the determinants of the intention of Guangdong residents to buy Chinese-brand automobiles. The findings reported in this chapter can help automobile manufacturers and distributors to formulate effective business strategies. According to 125 sets of figures, multiple regression analysis indicates that high correlation exist between two independent variables (attitude toward behavior and perceived behavioral control) and dependent variable, whereas subjective norm does not have significant correlation with intention. The authors make several corresponding managerial suggestions based on the results.

INTRODUCTION
Overview of Chinese-Brand Automobile

No official definition of Chinese-brand automobiles has been provided, but the National Development and Reform Commission (NDRC) of China is working to come up with a concrete concept of such products. Wang and Cao (2009) think that “brand” refers to a kind of market value. Self-owned brands can be considered as products of market creativity based on intellectual property. Such creativity has original features that include three aspects: self-designed and developed products, self-controlled core technologies, and self-owned trademarks and their reputations. To achieve the goal of producing self-owned-brand

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automobiles, Chinese carmakers have to improve their operations, as well as their research and development abilities.

China is now the largest automobile-producing country in the world. Data from the China Association of Automobile Manufacturers (CAAM) show that the country produced 18.26 million automobiles in 2010, equivalent to an annual growth rate of 32.44% in 2010. This figure would indicate that China was the largest automobile-producing country that year. The automobile industry is a major force that propels the Chinese economy and its labor market. Investments in the Chinese automobile industry are in the form of alliances and joint ventures between international automobile manufacturers and their Chinese partners (Tang, 2009).

Guangdong Province is strengthening the existing automobile manufacturing base in Guangzhou and Shenzhen while building a new one in Foshan. The Guangdong government is infusing new energy into the automobile industry in the Pan-Pearl River Delta (Long, 2011). According to the data from CAAM, automobile production in Guangdong reached 1.33 million in 2010 and is ranked second place nationwide. The government support provided a good foundation for Guangdong to develop Chinese-brand automobiles.

Over recent years, Guangdong has considered the automobile industry as its pillar industry, which has achieved remarkable results; after the launch of the “Innovative Guangdong” strategy, the provincial government focused more on developing Chinese-brand automobiles (Long, 2010). Today, several large local automakers operate in Guangdong province, including the well-known BYD Company, which is considered as a dark horse in the industry. However, size does not equate to strength, and Chinese-brand automobiles have faced increased challenges and tighter competition as a result of faster global economic integration. Zhao (2010) indicated that Chinese-brand automobiles rely excessively on low labor cost and rough technologies to implement a low price strategy. Baker and Hyvonen (2011) stated that on average, the price of China-produced automobiles is cheaper than those produced by advanced economies. Price data from the NDRC show that the average price of automobiles sold in 2010 was under CNY 68,000 (approx. 11,000 USD). Chinese-brand automobiles have disparities in both appearance and quality compared with joint venture automobiles made in China, but a market for Chinese-brand automakers remains. The relatively high price of imported or joint venture automobiles deters the purchase intention of medium and low-income residents; thus, Chinese-brand automakers find their own competitive advantage in the low-price and low-end fringe market.

The Problem of Chinese-Brand Automakers

Most of the Chinese-brand carmakers target the low-end automobile market, so low-technology contents in their automobiles are unavoidable. Low-technology contents lead to low quality of Chinese-brand automobiles. As Guangdong consumers emphasize the car value more than the price, they regard both price and quality as significant factors when choosing automobiles. If consumers can afford such products, they tend to choose a high-quality automobile made by well-known foreign automakers; thus, Chinese-brand automakers are apprehensive when they attempt to explore the high-end market (Wang and Cao, 2009). The problem faced by Chinese automakers is that most of Guangdong customers prefer to buy joint venture and imported cars rather than Chinese-brand ones.

A number of studies on the Chinese automobile industry have been published and most of them aim to determine the problems encountered by Chinese-brand automakers (Luo, 2009). Others provide forecasts or identify prospects for the Chinese automobile industry (Zhao, 2005; Zhao and Gao, 2009). Few studies focus on the intention
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