

At Shanghai show, Japan automakers woo lost sales

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Infiniti's new Q50 is displayed at the Shanghai International Automobile Industry Exhibition (AUTO Shanghai) media day in Shanghai, China Saturday, April 20, 2013. (AP Photo/Eugene Hoshiko)

Japanese automakers promised special Chinese designs and green technology in addition to the usual flashy fanfare at this year's Shanghai Auto Show, trying to woo back sales that crumpled during a territorial dispute over East China Sea islands late last year.

China is the world's biggest [auto market](#) by number of vehicles sold and crucial to the growth plans of global automakers. Japanese manufacturers such as Toyota lost market share to U.S., South Korean and German rivals as their [sales](#) plummeted and now, even as tensions between Japan and China abate, they continue to languish.

The dispute over control of the Japanese-administered islands, called Diayo in China and Senkaku in Japan, set off riots in China and a boycott of Japanese cars. Sales of cars from [Japanese manufacturers](#) plunged at one point to half of what they were the previous year. Latest figures show sales of Japanese brands are still declining while other automakers push deeper into a market that analysts predict will have annual sales of 32 million vehicles by 2020—the equivalent of the United States and Europe combined.

[Japanese automakers](#) suffered a 17.8 percent sales decline in March overall, while total vehicle sales in China surged 13.3 percent, according to Alec Gutierrez, senior analyst at Kelley Blue Book. "Until the territorial dispute is resolved, it appears as though Japanese automakers will continue to face challenges in the still growing Chinese market," he said.

[Honda Motor Co.](#) President Takanobu Ito said the automaker had gone through anti-Japanese sentiment in the U.S. during "Japan-bashing" in the late 1980s, but Honda had earned its place in the U.S. by bringing Americans on board as developers and assembly line workers.

"It's not that all Chinese people dislike our cars," he told reporters at the show's media preview on Saturday.

"There is no mistake that we want to contribute to [Chinese society](#)," he said. "We just have to keep at it."

The show, in a sprawling exhibition center, opened to the public Sunday and runs until April 29.



Infiniti Chief Creative Officer Shiro Nakamura poses for photographers at the Shanghai International Automobile Industry Exhibition (AUTO Shanghai) media day in Shanghai, China Saturday, April 20, 2013. (AP Photo/Eugene Hoshiko)

Nissan Motor Co., whose March sales were down nearly 17 percent from last year, has been wooing buyers back with a warranty on cars that get smashed by rioters. It fixed or replaced for free the dozens of cars that got damaged in riots last year. Since then, it has not had to exercise the warranty.

Nissan, which also makes Infiniti luxury models, says it is serious about building its presence in China, and has invested in developing the Venucia lineup of cars aimed at the tastes and budgets of cost-conscious

buyers. It also stressed Chinese participation in development of the brand, a priority for Beijing which wants its own automakers to grow into global names.

While some makers have slapped together a brand customized for China, Nissan said it had taken great care and is touting Venucia as the most successful of a slew of new models introduced by automakers to target the economy market.

Nissan design chief and senior vice president Shiro Nakamura acknowledged China sales should be growing, not just returning to the previous year's levels. He stressed that Nissan can't afford to lose in China.

In contrast to developed countries, China's potential remains vast even if the growth of overall sales has slowed from 2009 when it reached a heady 45 percent. For every 1,000 people, car ownership is at 800 people in the U.S. and 600 in Europe and Japan, but a mere 50 in China.

Big business is expected in what are called second and third-tier cities, less developed than Beijing or Shanghai, and where people are just starting to think about owning cars as incomes rise.

Winning in the Chinese market is likely to depend on other factors as well, such as the strength of dealerships, the appeal of model lineups and the management of recalls, analysts say. The Japanese must overcome their current sales difficulties and also deal with tough competition from European and U.S. rivals.

Volkswagen AG of Germany, the biggest selling automaker in China, is investing 9.8 billion euros (\$12.7 billion) through 2015 in its China business, mostly for fuel-efficient vehicles, and had pianist Lang Lang and Hollywood star Keanu Reeves at a gala event Friday evening to woo

Chinese buyers.

Namrita Chow, senior analyst at IHS Automotive in Shanghai, said U.S. automaker Ford Motor Co. and Hyundai Motor Co. of South Korea were best able to take advantage of Japanese sales woes and increased market share in China.

Toyota Motor Corp., whose March sales in China were down 12 percent from a year earlier, is hoping to win over China with its gas-electric hybrids, a technology it pioneered with the Prius.

China is increasingly concerned about energy efficiency and pollution, and Toyota is hopeful that hybrids will catch on with Chinese buyers. Rapid growth in car sales has left Beijing, Shanghai and other major cities choked on traffic and smog.

By the end of 2015, or early 2016, Toyota is planning to start selling two hybrid models in China, developed by a special team for the Chinese market, in which the core part of the hybrid system will be totally made in China.

Tadashi Yamashina, Toyota Motor Engineering & Manufacturing (China) Co. President, acknowledged the company was taking a risk with pushing hybrids in China where such vehicles are currently a tiny proportion of sales. But he believes the technology is well suited for the country as long as it is affordable. Toyota did not give sales prices or production numbers for the planned models.

"The era of hybrids is almost certain to come. It has taken off in the rest of the world," he said. "Besides, it will be good for [China](#)."

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