

# Fuel station giant starts selling cars

Sinopec foray follows end of decades-old regulations that said dealers must be authorized by an automaker

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China Petroleum and Chemical Corp, the world's largest refiner, also known as Sinopec Corp, is moving into auto sales, based on its nationwide fuel station network.

One of Sinopec Corp's fuel stations in Beijing sold its first car around the start of August. The company is currently cooperating with automobile e-commerce platforms for launching auto sales. It is also keen to cooperate with more partners, including e-commerce companies, in the future.

The company, which set up pilot projects last year to sell cars in Central China's Hunan and North China's Hebei province, said the most prominent feature of its car sales efforts is the unique shopping experience marked by convenience.

Experts believe Sinopec can benefit from its extensive network of gas stations, and its involvement in the automobile sector will alter the market pattern at a time when competition is intensifying.

"This is a great opportunity for Sinopec Corp to gain market share as China has got rid of a monopoly-like situation in the vehicle sales segment," said Zhao Ping, director of the international trade research department at the China Council for the Promotion of International Trade.

"Compared with its convenience store business, selling automobiles has more added value."

According to Zhao, Sinopec's car sales foray is part of its efforts to expand its non-oil business and diversify its portfolio, which will in



Cars refuel at a Sinopec gas station in Qingdao, East China's Shandong province. PROVIDED TO CHINA DAILY

turn improve its operational capacity.

"Selling automobiles and oil will promote the performance of both divisions, and will help Sinopec Corp to enlarge its market," she said.

"It is believed Sinopec Corp will cooperate with more partners, enabling diverse brands to meet demands of various customers."

Sinopec's move into car sales follows a new set of regulations that

took effect on July 1, replacing the decades-old policies that a car seller must be authorized by a carmaker. The new regime is expected to spawn more economical sales channels.

A dealer can now choose to be authorized by a carmaker or not, and is allowed to sell multiple brands.

Sinopec said it would consider cooperating with more cultural media corporations and online auto-

motive retailers to further expand its auto sales. Sinopec is not alone in taking advantage of the new policies. Gome Electrical Appliances and Suning are also making an entry into car sales based on their nationwide networks.

However, Zhao warned that it will be hard for Sinopec to convert automobile sales into a large-scale business, as it has a fixed number of

fuel stations and lacks the relevant experience and talent pool.

Cui Dongshu, secretary-general of the China Passenger Car Association, agreed. In the short term, alternative car sales channels pose no threat to traditional authorized dealers, he said.

Zheng Yiran contributed to the story.

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For example, a car priced at 150,000 yuan (\$22,500) would require a consumer to pay 15,000 yuan toward down payment and a monthly payment of about 2,000 yuan.

In the era of offline-and-online sales called New Retail, Tmall has become the preferred e-marketplace for automobile industry players to set up their digital stall. Nearly 500 car dealers have already opened shops on Tmall.

The implications for the consumer are enormous.

Without the middlemen, car prices are trending lower. And the online channel offers better auto finance options.

This marks significant progress for China's vehicle market where numbers tend to be staggering.

Some 29.4 million new cars are forecast to be sold in China this year, up 5 percent year-on-year, according

to the China Association of Automobile Manufacturers (CAAM).

Passenger car sales volume could increase by 5 percent to 25.7 million vehicles this year.

CAAM said 4.93 million branded passenger cars were sold in the first six months of this year in China, up more than 4 percent year-on-year.

Last year, 10.05 million branded passenger cars were sold, up more than 20.5 percent from 2015.

The association paints an optimistic picture for the market as more families will make their first purchases and more will replace their vehicles.

Zhang Xiaodong, senior manager of auto retail practice at JD Power China, said the alternative sales channels will have a major impact on the automobile manufacturing and trading industry, providing massive convenience to consumers.

However, given the large-scale



Technicians at Suning Auto Supermarket in Nanjing, East China's Jiangsu province, explain the features of new models of different brands of cars to prospective customers. CUI XIAO / FOR CHINA DAILY

nature of transactions involved, there could be initial difficulties in integrating dealers, traders, suppliers and other distribution channels, said Zhang.

The challenge is how to provide spare parts online for different brands, he said.

Typically, a conventional car dealer provides a combination of

services like new car sales, repairs, maintenance and sale of parts. So, the new channels have to build a management and operations system to match or even exceed the current range of services offered by traditional dealers, Zhang said.

"Car dealers won't be replaced," he said emphatically. So, the real question is how to update and maximize their services in the right direction.

Dealers have to deepen their customers' trust through better marketing. Uncomplicated financing and an exchange for used cars are the way forward. From a monopoly-like situation, dealers need to head in the direction of working with car retailers to learn best practices fit for today's world, he said.

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