Innovation of Automobile Dealers in Hokkaido

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Abstract

On December 29, 1989, the Nikkei 225 Stock Average closed at 38,915.87, the highest value of the index since records were first taken in 1949. The sentiment of the Japanese economy until the end of the 1980s was extremely good. Japanese people purchased many goods. Actually, domestic sales of new vehicles in 1990 were about 7.7 million [1]. However, after 1990, Japanese people continued to suffer through the long period of social and economic stagnation which came to be known as Japan's "Lost Two Decades." Domestic sales of new vehicles in 2011 decreased to about 4.2 million units [1], approximately half of the 1990’s sales. Generally speaking, the profit of automobile dealers depends on new vehicles sales. Because of declining new vehicle sales, Japanese automobile dealers needed to make innovations related to their business model.

In this report, the authors describe the present situation of the automotive industry in Japan and innovations of automobile dealers in Hokkaido.

Keywords: Automobile dealer, New vehicle Sales, Automobile mechanics, Service after sales, Innovation

1 Outline of the Japanese Automotive Industry

1.1 Present situation of the automotive industry

After World War II, the Japanese automotive industry developed in tandem with economic growth. It became a key industry in Japan. Nowadays Japanese vehicles are extremely popular and widely recognized as reliable vehicles throughout the world. Actually, in 1999, the author rode a Japanese pick-up truck at a petroleum site in Saudi Arabia.
Japanese vehicles have 85.9% market share in Thailand [1].

Figure 3 shows that sales of new vehicles reached a peak of 7.7 million in 1990. Thereafter, new vehicle sales decreased. In 2011, total new vehicle sales were almost equal to those of 1970. The breakdown of new vehicles sales means that between 4–5 million passenger cars have been sold annually from 1990. However, trucks and buses show a peak around 1990 during the same period at the peak of Japan’s “bubble economy”.

Figure 4 shows that total registered vehicles hit a peak of 75.5 million vehicles around 2008. Numbers of truck and buses registered in Japan showed a peak around 1990. Subsequently, they decreased gradually. The reason for this trend is the stagnation of Japanese economic conditions. As for passenger cars, they have increased, partially because lifestyles of Japanese families have changed. Parents in Japan need passenger cars to take children to various after-school and cultural activities, private tutoring schools, and so on.

Figure 5 shows that the passenger car ownership rate per family in Japan was over 1.000 in 1996. Nevertheless, family units that include parents and children show almost no change from 1980. During the twenty-first century, the rate stayed between 1.075 to 1.112. The author infers that most families have already purchased passenger cars.

Figure 6 shows that the service life of vehicles is increasing every year. Japanese vehicles are well-known to be more or less trouble-free and can be used for longer than 13 years or for more than 100,000 km. Because of their high quality and durability, almost all Japanese people purchase Japanese vehicles. The market share of Japanese automobile manufacturers in Japan is 93%.

Figure 7 shows that Japanese GDP increased along with the number of registered vehicles in Japan until 2000. However, after 2000, Japanese GDP and registered vehicles did not increase.

Figure 8 shows that the peak year of population older than 15 years is the same period as the peak of registered vehicles in Japan. These trends indicate that the number of registered vehicles might decrease gradually from now.
three options:

1. Sell various vehicles that the customer requests.
2. Get a new owner.
3. Change the business strategy without dependence on new vehicles sales.

They cannot choose option 1 because they are just one of an affiliated group of automobile manufacturers that include Toyota, Honda, and Nissan. They cannot participate in determining the strategy of new vehicles’ release. They also cannot choose option 2 because the discussion presented above demonstrates that potential passenger car owners have owned cars. Automobile dealers are compelled to choose option 3.

Figure 9 shows that the proportion of new passenger car sales is decreasing and, on contract, the proportion of service is increasing for automobile dealers in Hokkaido.

Figure 10 shows that the sales composition of new passenger cars in 2003 closely resembles that of 2008. However, the profit composition of new passenger cars shows a 4.2% decrease.
of service is a 6.6% increase, as shown in Figure 11. This result indicates that growth of the service branch is extremely important and that automobile dealers emphasize service provision because they have difficulty selling new passenger cars. They expect some customers to repurchase new passenger cars through the relation formed through a service branch.

2 Japanese Automobile Maintenance System

2.1 Automobile inspection system in Japan

Japan has some strict automobile inspection programs.

(1) Automobile safety inspection
Fundamentally, a passenger car that is driven in Japan must be inspected every two years. This is a mandatory inspection. If a passenger car is not confirmed with automobile safety inspection, it loses its registration and cannot be used.

(2) Periodic check (every 6 months and every 12 months).
A user of a passenger car should perform periodic checks. This is voluntary check.

The above two programs must be carried out by certified automobile mechanics.

2.2 Qualification system for automobile mechanics

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) establishes qualification system for automobile mechanics as follows.

- First-class automobile mechanics
- Second-class automobile mechanics
- Third-class automobile mechanics

Actually, second-class qualification is sufficient to work at a maintenance shop. To become a qualified automobile mechanic, a paper examination and a practical examination must be passed.

2.3 Professional education for automobile mechanics

The most popular way to become an automobile mechanic is to enroll at an automotive engineering college or technical college. After finishing the two-year curriculum, graduates must pass a qualification test for automobile mechanics.

Figure 12 shows that there has been no change of the number of automobile mechanics at maintenance shops. The reason for this trend is that the number of these colleges’ students has been decreasing because automobile mechanics seem not to have good jobs. Moreover, young people have lost interest in cars. In fact, automobile dealers must confront a persistent shortage of automobile mechanics.

2.4 To acquire automobile mechanic skills

A decade ago, automobile mechanics were requested only to pass the qualification examination. While working at an automobile maintenance shop, they learned maintenance skills through on-the-job training. They worked just as automobile mechanics, that is to say, they did not explain the causes of trouble to the customers. Sales people and customer service employees at the shop explained matters to customers.

The author used to be a Vice Manager of the Career Development Division in Hokkaido Automotive Engineering College and had discussions with people in charge of recruitment officers of automobile dealers. They reported that today’s automobile mechanics must not only have appropriate qualifications but also maintenance skills and communication skills. They must learn practical maintenance skills at college because senior mechanics at a maintenance shop are too busy to teach maintenance skills to young mechanics. Moreover, they must explain the cause of trouble to the customers personally. Their two skills bring more profits to automobile dealers.
3 Conclusions and Future Work

3.1 Conclusions

This paper presents the present situation of automotive industry in Japan and study of a business strategy of automobile dealers in Hokkaido.

(1) The automotive industry is extremely important in Japan.

(2) An innovation of automobile dealers is to increase the share of services against total profit in accordance with decreasing new passenger car sales. Therefore, they need more automobile mechanics, but they cannot hire a suitable number of automobile mechanics.

(3) In the past, automobile mechanics were requested to have a qualification of second-class automobile mechanics. However, to accommodate the innovative strategies of automobile dealers, they are requested not only to have that qualification but also to have practical maintenance skills and skills of communication with customers.

3.2 Future work

In our future work, we would like to investigate Japanese automobile dealers further and conduct the same study in Thailand. Then the authors will compare results obtained for Thailand with those for Japan.

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References