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Chinese authorities initiated the task of making China's automotive sector as one of the country's strongest industries, the market had opened up for the foreign companies. However, the foreign car companies were required to qualify few pre-conditions: they were required to first Invest In the components industry and transfer thetechnologyto the Chinese partner in a joint venture, where the share of the foreign partner would not exceed 50%. General Motors (GYM In an effort to gain access to the Chinese automotive market,

Invested In technical assistance projects, which facilitated technology-transfer to the Chinese automotive sector. By 1996, GM had set up a number of Joint ventures to manufacture auto components in China. Eventually, GM got the permission and so, set up a manufacturing unit investing between $1 billion and $2 billion to manufacture mid-sled cars In China. But the company's Chineseodysseyhas not been very smooth. It not only had to deal with fluctuating car demand but also with its Joint venture partners who proved to be tough negotiators.

Despite the problems, GM continued to focus on China and the perseverance seemed to pay off with the company tripling its sales in 2003. Porter's five forces analysis Threat of new entrants The passenger car market in China continued to expand in 2002, with a 42. 8 percent Increase to 0. 5 million units sold. The rapid expansion of China's automobile market has attracted global automobile manufacturers. GM entered the Chinese market with a $1. 5 billion investment in its Shanghai Joint venture with ASIA in 1997, which is the biggest Sino- American joint venture, producing its famous Buick Saloon.

Soon after Gem's entrance various other manufacturers entered the Industry making It more competitive Toyota made its alliance with China's largest automobile manufacturer, FAA, in 2002, and will manufacture Toast's luxury " Crown" model in Tannin beginning in 2005. Japan's third largest automaker, Ionians, has made a foothold in China by its $2 billion JP with China's third largest car firm, Dingdong Motor, in 2003, which Is the largest automobile JP (In financial terms) In China. The venture will offer six new models in the marketplace.

Furthermore, carmakers have all been reported o be mulling expansion plans in China (Table 3). For example, Toyota will raised its production to 400, 000 by 2010 with the launch of its Lexus luxury brand in China at the end of 2004, following the start-up of six dealerships In major clues, Including Beijing and Shanghai. Meanwhile, BMW will raise annual output to 100, 000 units by 2010 with its joint venture partner Brilliance in Longing province in northeastern China; Hounded is planning to double its annual production capacity at its Beijing facility by 2005 to 300, 000 units.

Ionians is attempting to make up forlost timewith a eider range of products, although It trails Its competitors, Volkswagen, General Motors, and Honda. The Ionians-Dingdong hookup will produce 220, 000 cars and 1 OFF substitute products The recent emergence of the petrol-electric hybrid passenger car has drawn the most attention as a potential mass-market environmentally friendly vehicle. By combining power sources, a hybrid vehicle reduces emissions and is more energy- efficient than a conventional petrol-powered car.

Pries, the world's first hybrid petrol-electrical vehicle, can be mass-produced for the ecologically concerned market segment. Toyota is eager to launch the low emission Pries in china because the potential for demand is strong amidst the country's expanding middle class GM is considering launching a hybrid SUB in China, according to the Detroit News. The hybrid SUB would be assembled in its Shanghai JP, using technology developed by Gem's Japanese affiliates, Suzuki and Fuji Heavy Industries. There is strong potential for low-emission hybrid vehicles in China as the boom in car demand has caused a major increase inair pollutionlevels.

GM and Toyota are reportedly awaiting overspent regulations to enable the launch of their hybrid cars in China. Bargaining power of supplier The presence of capable specialized suppliers and related industries constitutes an important local condition for General Motors in China's vehicle industry. Component suppliers tend to be scattered throughout China on a small economic scale. More than 60 percent of major component suppliers are located in two cities and three provinces: Shanghai, Tannin, Huber, Jagging, and Huber.

Standards in product development are weak and there are no local suppliers able to operate on a modular or systems basis. The technology gap is increasingly being filled by the arrival of global and Taiwanese parts suppliers, such as Tong Yang Industrial or Change Shin Rubber, which have achieved a foothold in southeastern China by supplying mainly local Taiwanese operations. With the local content policy in China, General Motors will continue to stock up from the increasingly competitive local market, and bring to market better quality products with added value.

Currently, the General Motors group present in China are beginning to get their supplies directly from the Chinese market to meet their international plans. The other important supporting industry, the steel industry, is concentrated in the region of the Yang's basin, stretching from Shanghai (complex of Bassoon) to Annum (complex of Mannish), to Huber (complex of Human), up to the confines of Chuan to the border of Yuan (complex of Panamanian). Thus, this region plays a important part in manufacturing unit of General Motors.

Bargaining Power of Customers The rapid economic growth of China has triggered a growth in purchasing power and sophistication levels of local customers. Moreover, government policies can directly ND indirectly influence conditions in a variety of ways, such as the credit system and environmental safety regulations. Before the sass, the majority of the automobile market in China was constituted by public buyers (groups, and state companies) and there were few individual purchases. By 1995, private purchases had accounted for 30 percent of total vehicle purchases.

Private ownership of automobiles has grown at a remarkable pace, from 0. 8 million units in 1990 to 5 million units in 1999, or a 23 percent annual growth rate. The withdrawal of state power from Chinese economic fife and the emergence of the private consumption modifies the profile of buyers. Instance, four banks are authorized to offer credit: Construction Bank of China, Industrial Commercial and Bank of China, Bank of China and Agricultural Bank of China. Private individuals can request a loan covering 60, 70 or 80 percent of the total cost of the vehicle, repayable in five years.

The proportion of vehicles purchased on credit has been weak, but the entry of China into the WTFO authorizes foreignfinanceservices, and builders such as MM, to propose this type of service in favor of vehicle sales. Intensity of competitive rivalry The competition in China's automobile industry is from both domestic and foreign firms. There are more than 130 car factories, supplied by more than 3, 000 companies delivering parts, an industry covering almost as much as that of the United States, Europe, and Japan together. The context for strategy and rivalry relates firstly to the automotive industry policy.