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2014 Deloitte China
Auto Dealership
Performance Study



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Methodology

《2014 China Auto Dealership Performance Study》 is designed to understand auto dealer's operation in the ever-changing China automotive market. Through qualitative and quantitative research, Deloitte identifies the major risk factors affecting the dealer's daily operations in 2014 and examines them from the policies, finances and operations. In the end of this report, Deloitte provides constructive recommendations on risk managements and operation improvements for the OEMs, dealer groups and independent dealers in China market.

Survey Target and Content

This survey targets the independent dealers, dealer groups, and OEMs of luxury, main stream and domestic brands in the automotive industry. Deloitte distributed around 400 questionnaires and interviewed nearly 100 general managers and finance managers at the independent dealers, the executives at the major dealer groups, and the regional managers from the OEMs. The survey touched upon the key factors that would influence the dealer's operation, including the impact of the changes in regulations, profitability, business models, cost management, and financing.

Data Processing

Building upon a highly specialized auto dealerships database, Deloitte China Auto Dealership Team has formed the insights on "the major risks identification and analysis" and "the risk management improvements" through a systematic data compilation and analysis process.



Major viewpoints

In the last few years, China automotive market has experienced an overall slowing down after a "golden decade". The market has entered a "modest growth" era. Although the automotive market bounced back slightly in 2013 due to the steadily growth of Chinese economy, the trend failed to continue in 2014. The growth rate of automobile consumption dropped considerably. The contradiction between the production and sales is becoming increasingly prominent. The anti-monopoly investigations and newly released regulations are the means to tighten the control of auto dealer's operation, which adds another layer of uncertainty to the dealer's operation risks.

As the industry reform is speeding up, the risks of violating the new regulations have increased significantly. To facilitate a fair competition environment and regulate the industry players' operations, the government authority has initiated a large scale antitrust investigation in the auto industry, and at the same time, modified and released a series of important policies specific to the automotive industry in 2014. The changes in the regulatory environment have forced the OEMs and the dealers to face the legal consequences for their long-standing unfair business conducts. In the long run, the competitive landscape of the China automotive industry will look rather different than what it is today.

Under the tension of capital shortage, the dealers' capability in getting financing varies.

In 2014, the contradiction between OEMs' aggressive expansion on production capacity and the sluggish sales performance at the store front became apparent. The dealers' inventory was high and occupied a huge amount of working capital. For the dealer group, the group's diversified expansion consumed a large amount of capital, which intensified the situation of capital shortage for the single shop, and led to more borrowing activities among the inter-group dealers. With the progression of China's interest rate liberalization, the dealers' operation ability and credit condition will affect their financing capability. As a result, different dealers' financing costs could vary significantly.

The prospect of Auto dealers' profitability is not optimistic, meanwhile many dealers face challenges to upgrade the business model.

Since the second half of 2014, the sales on new cars have given little reason for optimism. Though dealers are actively adjusting their business structures in response to the changes in the marketplace, the situation is still grim. When it comes to the cost control, high inventory, inefficient management, and the scarcity of managerial talents are driving dealers finance, sales, and administrative expenses high. Most dealers are struggling to break even.

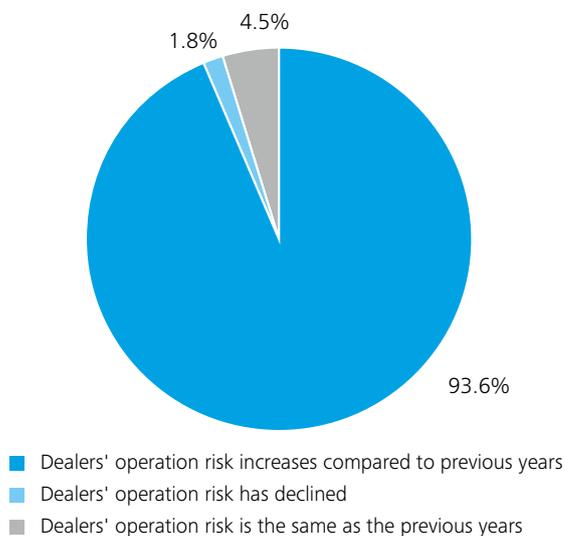


Key dealership risk identification and analysis

As China's macroeconomic environment was relatively stable in 2014, we saw opportunities and challenges coexisted in the China automotive industry. On the one hand, traffic congestion, air pollution and other social problems in the first and second tier cities remained severe. Local authorities continued to tighten the regulation and consumers' car purchasing demands are being restrained, which all increased the pressure of deceleration in the automotive market. On the other hand, the urbanization continued to release consumer demand on automobile in the fourth, fifth and sixth tier cities. OEMs were actively expanding their sales networks in those cities to capture the rapid growth in sales. Reflecting the entire year, China automotive industry maintained the upward trend in 2013 for the first half of 2014, but as the impact of the changes in the marketplace emerged, the growth rate of vehicle sales was clearly slowing down in the second half of 2014. The annual growth rate was less than 10%, declining from 15.7% in 2013.

The changes of the industry trends have an obvious impact on the auto dealers' operations. According to the feedback of 400 questionnaires collected from the Deloitte China 2014 auto dealership performance survey, 93.6% of the respondents believe that under current gloomy market condition, the auto dealers' operation risk has increased significantly compared to previous years. In the in-depth interviews, the risk issues pointed out by dealers are mainly focus on the increased regulation compliance risk, the difficulties in obtaining operation capital, the declining profitability, and the rising operation cost, etc.

China Auto Dealers' Operation Risk



Source: Deloitte China 2014 Auto Dealership Performance Survey

Using Deloitte's auto dealership risk analysis models to analyze the survey result, this report examined China auto dealers' primary risks from the regulation, capital, and operation aspects, then provide concrete recommendations to improve dealers' risk management practice.

1. As the industry reform is speeding up, the risks of violating the new regulations have increased significantly.

In 2014, the State's policy on vehicle purchase restriction became normalized and covered wider areas. Consumer's vehicle consumption was restrained and auto dealers faced a tougher market condition. At the same time, the State speeded up its pace to regulate the automobile market. The antitrust investigations and the revision of the regulations brought unprecedented compliance risk to the OEMs and dealers and inserted a long lasting impact on automobile market's pricing competition.

1.1. OEMs suffered heavy penalties due to monopolizing channels

In 2014, in order to promote fair competition in the automotive market, the National Development and Reform Commission (NDRC) and other law enforcement agencies launched a massive investigation into monopolistic practices and imposed more than 1.7 billion RMB fines to those violated the anti-monopoly regulations. It appears that the antitrust investigation in the auto industry will become a norm and play a significant role in regulating the future operations of the auto industry. For OEMs, price monopoly of vehicles spare parts, mandatory levels of inventories, tying with the non-best-selling models, and restriction on cross-regional sales that have been criticized for long time are likely to face the antitrust penalties. And the Measures for the Implementation of the Administration of Automobile Brand Sales implemented for a decade is going to be further amended, which may shake the foundation for the OEMs' long-term favorable position from the regulatory perspective.

1.2. Dealers are prohibited from horizontal monopoly

Auto dealers begin to be concerned about the antitrust regulations in the retail context. We have noticed that a series of investigations have been conducted on issues, such as jointly defining of minimum prices for new car sales and aftermarket services among the dealers, and PDI handling charges, etc. and punitive measures such as imposing of heavy fines and confiscation of proceeds have been undertaken. It is expected that the State will

continue to strengthen its supervision and administration over China's automobile market through the enactment of laws and regulations in the future. If auto dealers overlook the interpretations of relevant policies, they will probably be exposed to high compliance risks.

1.3. Competitions in the dealership sector are intensified

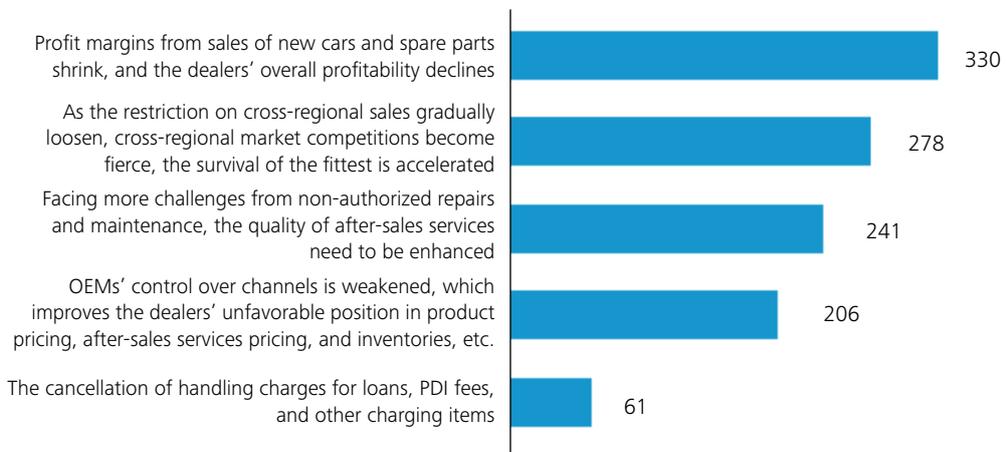
The antitrust regulation and the amending Measures for the Implementation of the Administration of Automobile Brand Sales are likely to weaken the OEMs' control over the prices of vehicles and spare parts, and regional sales. And the Guidance on the Promotion of Transformation and Upgrading of the Automotive Maintenance Sector for Improvement of Service Quality jointly promulgated by 10 administrative ministries and commissions in September, 2014 promoted the elimination of trade barriers in the auto aftermarket, such as OEMs' technology protection in spare parts and accessories, after-sales repairs and maintenance, etc. and accelerated the competitions in the aftermarket. To the end, the dealers will face fierce competitions in both the vehicle sales and aftermarket sales. According to the Deloitte China 2014 Dealership Performance Survey, the impacts of policy change on the dealers' operations are listed as the followings:

- Respondents believe that, in the short-run, the changes in the industry policy would impact the front-end sales market the most. Derived the antitrust investigation, many OEMs initiatively cut the prices of vehicles and spare parts. It also

affected the consumers' predictions regarding the future market price trends and made them hold on to the new car purchase. All of these have created to a more unfavorable market condition for the new car and spare parts sales. Additionally, the loosening restriction on cross-regional sales from OEMs will intensify the competitions among the dealers. The profit margins on new cars and spare parts sales will be further squeezed.

- Respondents believe that the impact of industry policies on the aftermarket will gradually become apparent. In the long term, as the market barriers became lower, the development of parts retail and fast repair shops will be encouraged. Thus, the dealers' high profits from spare parts sales and after-sales repair and maintenance services under the present situation of incomplete competition will be difficult to sustain in the future.
- With regard to the impact of the industry's policies upon the relationship between the carmakers and dealers, a majority of respondents believe that, by relying on the further implementation of relevant laws and regulations, dealers will have more right of speech in the long run.
- As the handling charges for loans and PDI testing fees only concerned a small number of dealers and accounted for a relatively small portion of profits, the respondents believe that it has limited impact on dealer's operations.

The Impacts of Policy Changes on Dealers' Operations



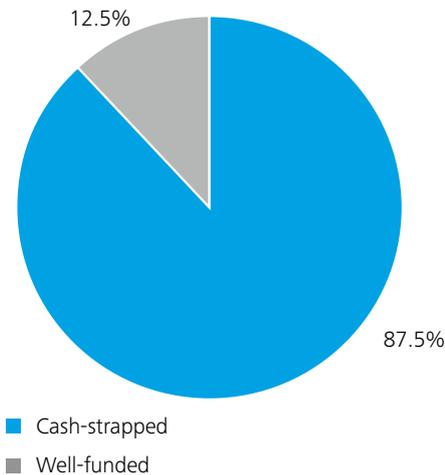
Source: Deloitte China 2014 Auto Dealership Performance Survey

Note: The method used to rank the various options is to assign each option with different scores. The higher the rank, the higher the score is. The value in the diagram represents the total score calculated from all valid responses in the questionnaires.

2. Under the tension of capital shortage, the dealers' capability in getting financing varies.

In 2014, the overall environment of China's automotive industry did not look pretty. One of major indicators reflecting the increased pressure on dealers' operation was the shortage of capital becoming more severe and the risk of breaking the capital chains was intensified. According to the Deloitte China Dealership Performance Survey, 87.5% of the dealers believe that they will encounter the problems of capital shortage in the coming year, among which the rising inventory level is the main trigger of the capital shortage.

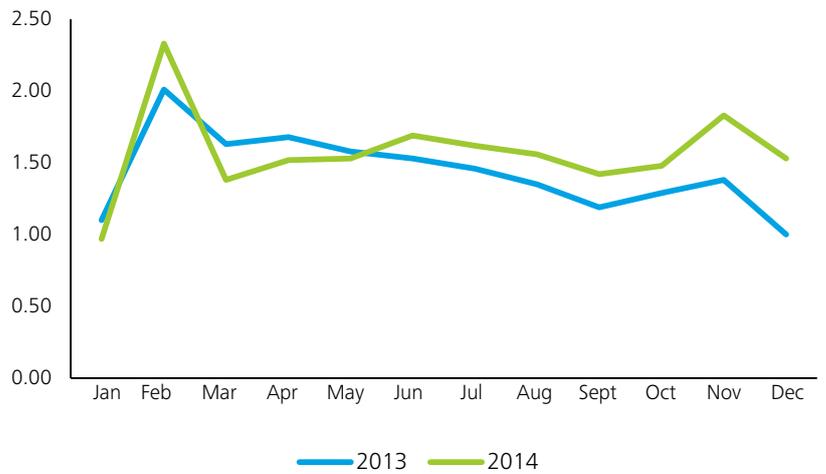
Forecast of Dealers' Financial Status in the Coming Year



2.1. Demands for funds are increasing greatly

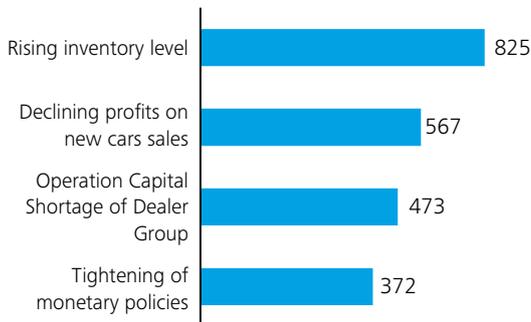
In 2014, the dealers' average inventory coefficient was 1.57, which exceeded the early-warning threshold, much higher than the same period of prior year. High inventory backlogs in the channels eroded the dealers' operation capital severely.

Inventory Coefficient



Source: China Automobile Dealers Association

Major Factors Contribute to the Capital Shortage of the Single Dealer Shop

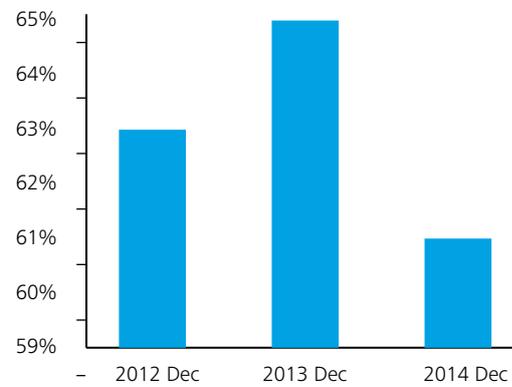


Source: Deloitte China 2014 Auto Dealership Performance Survey

Note: The method used to rank the various options is to assign each option with different scores. The higher the rank, the higher the score is. The value in the diagram represents the total score calculated from all valid responses in the questionnaires.

As new car inventory turnover rate slows down and the liquidity is weakened, it is likely that the dealers are unable to obtain sufficient cash flows to pay the debts. According to the data analysis to the financial reports of major listed dealer groups, the current dealers' quick ratio is obviously declining compared to previous years, that is, after deduction of the inventories with weak cash realization, the dealers' remaining current assets are only able to repay 61% of current liabilities, thus the liquidity risk increases significantly.

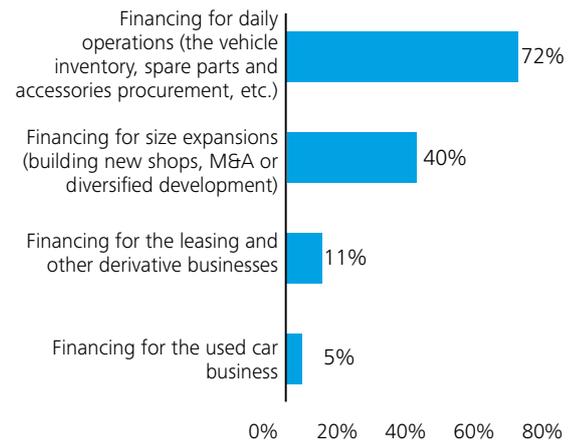
Quick Ratio



For the group dealers, the capital status of a single

shop relies largely on the financial support provided by the dealer's group. In recent years, due to the declining ROI in 4S shops, the dealer groups have begun to seek diversified developments with the intention to reduce the investment risks. It has resulted in large amounts of funds flowing out of the auto industry. In addition, as OEMs continue to elevate the standards of the hard wares of new built shops, the dealer groups capital investments are growing as they expand their footprints, but the time of getting the return on investment is becoming longer and longer. Under such circumstances, it is difficult for the groups to provide sufficient funding to support the single-shop dealers for their daily operation, and therefore intensifying the pressures on the single-shop dealers.

Distribution of Financing Needs of China Auto Dealer Groups



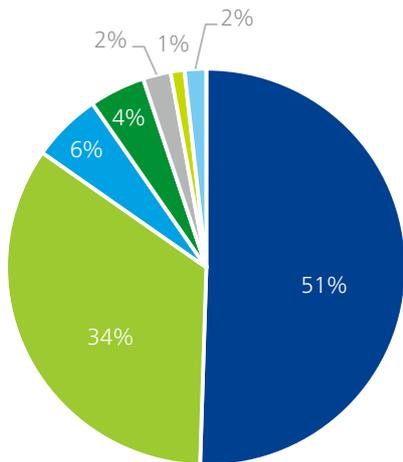
Source: Deloitte China 2014 Auto Dealership Performance Survey



2.2. Financing capacities vary greatly

The Deloitte China Dealership Performance Survey results show that, except a few dealers who can obtain low-cost and long-term financing support through their dealer group's IPO, commercial banks remain to be the most reliable financing channel for the auto dealers. Forecasting the future financing status, 14.7% of the dealer groups are expected to have financing cooperation with banks in the next three years with more than 75% financing ratio, and 29% of the dealer groups will have their financing ratio in the range between 40% - 75%. The dealers' overall financing costs are largely determined by the costs of borrowing from banks.

Distribution of Dealers' Financing Sources

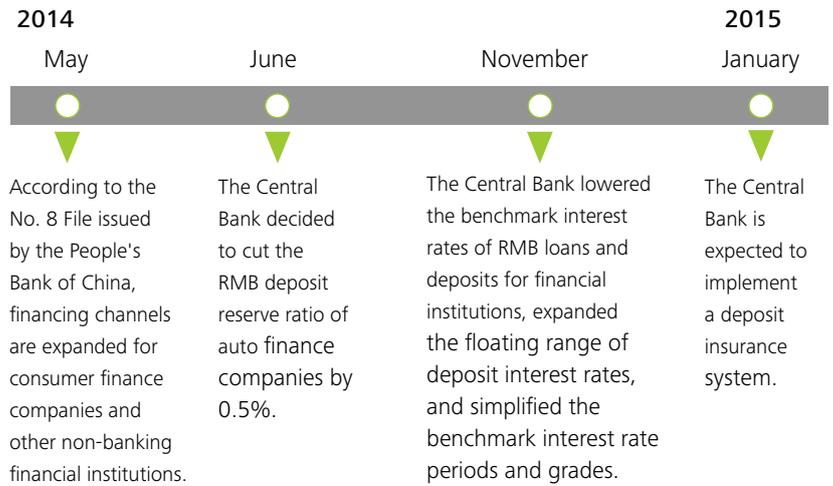


- Loans from commercial banks
- OEM's finance
- Going public
- Overseas financing
- Bond issuance
- Asset securitization

Source: Deloitte China 2014 Auto Dealership Performance Survey

It is worth to note that China's interest rate liberalization has entered a critical period since 2014. The dealers' financing environment also changes at certain extent. According to the policy, the benchmark lending interest rates are announced by the Central Bank and all banks formulate their floating interest rates.

2014 Road Map of Financial Regulation and Control

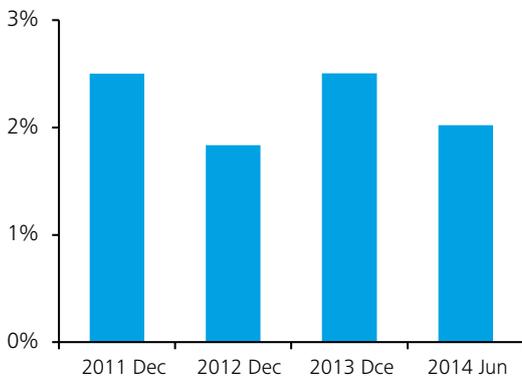


Under the interest rate reform, the capability gap of dealers' financing ability become wider. The operation and credit status could directly affect the difficulty for dealers to establish their financing channels and the borrowing costs of available financing resources. Through in-depth interviews with the dealers from different backgrounds, we found that it is easier for the dealer group to obtain adequate low-cost financing from banks by the group's unified financing or guarantee, thus effectively relieve the financial stress and lower the capital usage costs. However, for the independent dealers with relatively weak operation status, they usually face more strict approval processes and preconditions when working with the banks, compared to the dealer group. Their financing channels are also limited and their financing costs are relatively high.

3. The prospect of Auto dealers' profitability is not optimistic, meanwhile many dealers face challenges to upgrade the business model.

The At the beginning of 2014, China's auto market continued the upward trend in 2013, but with the impacts from the changes in industry regulations, customer demand and other factors, the auto dealers' profitability gave little reason to be optimistic. In 2014, the average Return on Sales of major public listed dealer groups was only 2.02%, which is obviously declining compared to 2013.

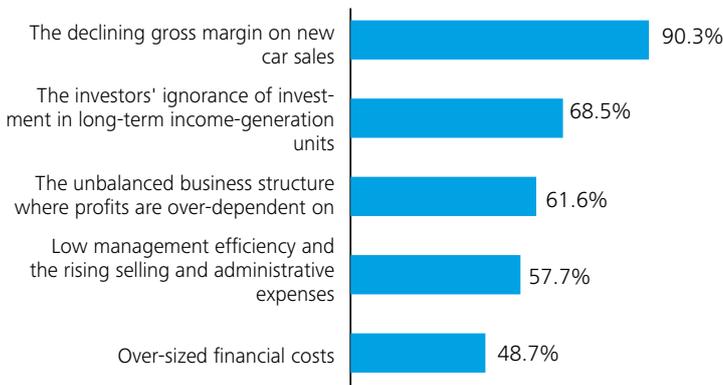
Return on Sales*



Source: Deloitte China 2014 Auto Dealership Performance Survey
 Financial information released by listed auto dealers
 *Return on sales = net profit before tax / sales revenue

The Survey results reveal the reasons contributed to the decline of auto dealers' profitability as the followings: the declining gross margin on the new car sales, the investors' ignorance of investment in long-term income-generation units, the unbalanced business structure where profits are over-dependent on new car sales, the rising selling and administrative expenses, and the over-sized financial costs.

Reasons Contribute to the Decline in China Auto Dealers' Profitability

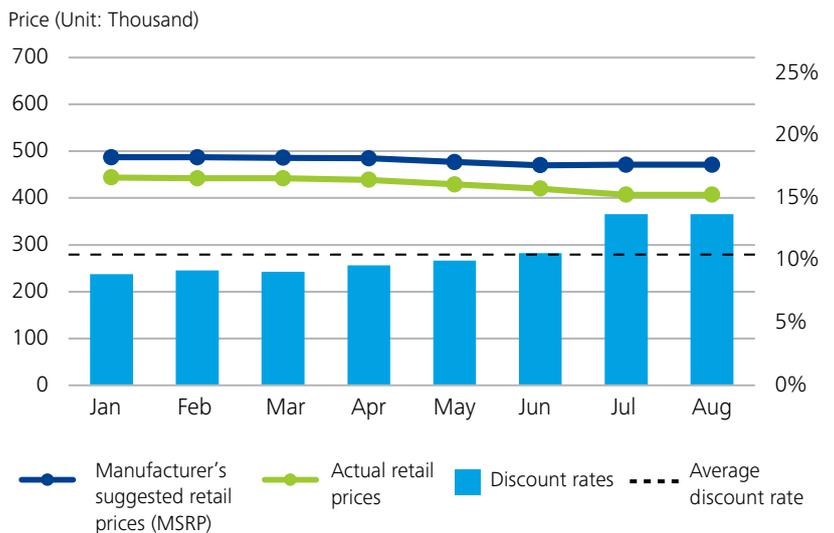


Source: Deloitte China 2014 Auto Dealership Performance Survey

3.1 Profits on new car sales are dwindling

The high inventory on new car severely erodes the operation capital, which forces the dealers to take an action. By lowering the price to boost the sales volume, the dealers can obtain sufficient cash flows and relieve liquidity pressures. Looking at the dealership price of the luxury brands from January to August, 2014, it is obvious that the dealers' sale promotion efforts were heated up. The actual retail price at dealer store was 10.6% lower than the manufacturer's suggested retail price (MSRP) on average, and the sales discount rate in July and August rose up to 13.7%. As the result, the profit margin on new car sales has been squeezed.

Price Trends of Luxury Cars in China's Auto Market from January to August, 2014



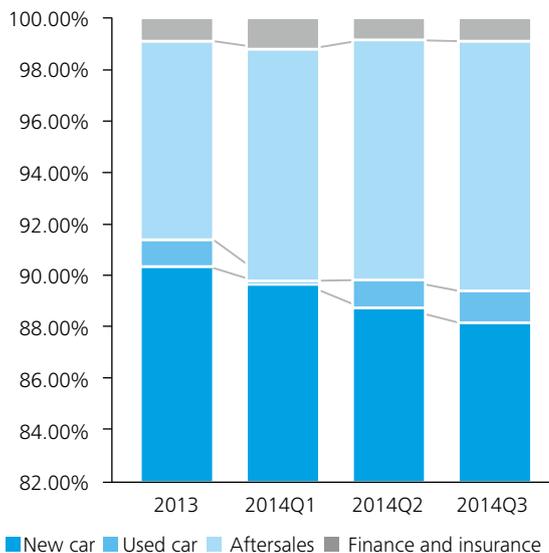
Source: Deloitte China Industry Analysis

As the new car sales weakening, dealers rely on the OEMs' business policies more than ever before. The industry data shows that in 2014, the average sales rebate on luxury brands was more than 10%, and the sales rebate on domestic brands exceeded 13%. In order to obtain the rebates granted by OEMs, dealers have to follow the OEMs' pace to increase volume sales, which makes it difficult for the dealers to get out of the high inventory trap. The unhealthy circle of lowering the price to boost the sales volume, then relying on OEMs' rebate program to gain sufficient cash flow prohibits the further improvement on the auto dealers' profitability.

3.2 Competition in the aftermarket is intensified, while the structural transformation is facing the challenges

According to Deloitte China 2014 Auto Dealership Performance Survey, China's auto dealers are actively adjusting their business structures. In the first three quarters of 2014, the revenue from dealers' non-new car sales contributed 11.81% of the annual revenue. Under the background of adverse market condition and a sharp decline on the new car sales margins, the adjustment on the business structure could reduce the impact from the changes in the external environment on the dealers' profitability at certain extent. The new car sales revenue in the United States only accounts for 60% of auto dealer's annual revenue, while the ratio in China is close to 90%. Therefore, there are plenty of rooms for China's auto dealers to make further structural adjustments.

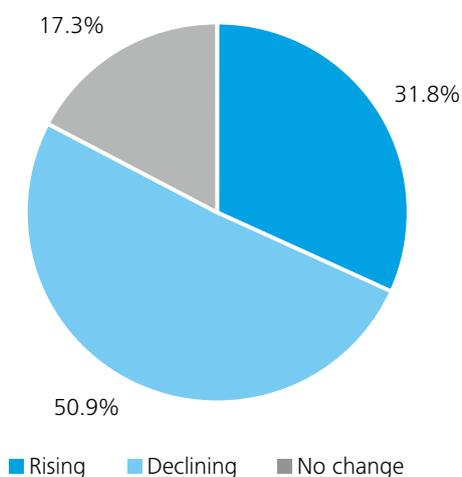
Trends of China Auto Dealers' Revenue Structures



Source: Deloitte China Industry Analysis

As a segment which the business is less likely to be hugely impacted by the external environment, the profitability of the aftermarket sales has a great influence on a dealer's overall profitability. However, when predicting the profits from the aftermarket sales in the next three years, half of the respondents believe that the gross margins of the aftermarket sales will exhibit a declining trend.

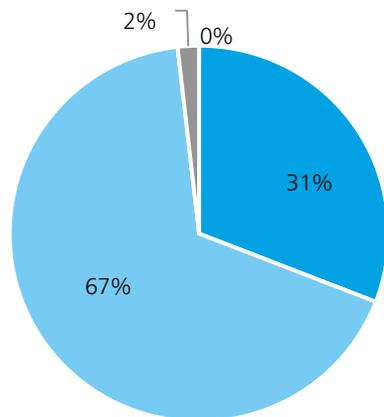
China Auto Dealers' Prediction on Aftermarket Profits in the Next Three Years



Source: Deloitte China 2014 Auto Dealership Performance Survey

The primary reason contributed to the pessimistic view among the dealers on the profits of aftermarket sales is that the existing aftermarket services are lack of competitive edges when competing with the independent and fast repair chain stores. According to the Deloitte China Dealership Performance Survey, 31% of the dealers believe that the emergence of independent and fast repair chain stores has resulted in a sharp decline in the dealers' outputs and profits. Then, 67% of the dealers believe that, though the current impact of independent and fast repair chain stores to the dealers' aftermarket business is not yet obvious, with the continuous antitrust investigations and the release of relevant regulations, the monopoly of auto parts and after-sales repair techniques will be broken, independent and fast repair chain stores and other non-authorized repair shops will embrace more opportunities. As the result, the dealers' aftermarket business will be affected.

Impacts of Independent and Fast Repair Chain Stores on Dealers' Aftermarket Sales Outputs & Profits

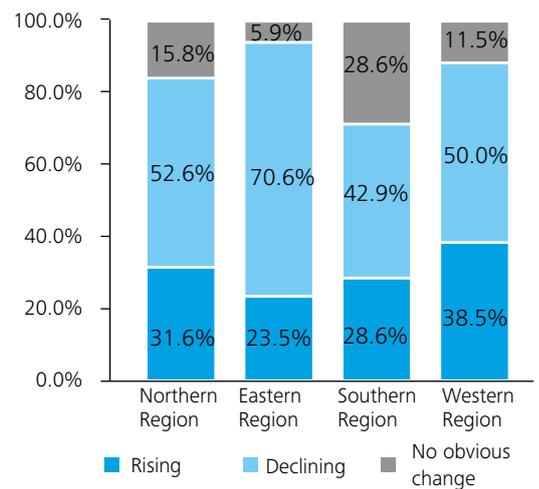


- Have resulted in a sharp decline
- Impacted to some extent but not obviously
- Basically no impact
- Don't know

Source: Deloitte China 2014 Auto Dealership Performance Survey

It is noteworthy that respondents from different regions hold different opinions on the future profit trends of the aftermarket business. In the eastern region with the intense competition, 70.6% of the respondents believe that the profit of aftermarket sales will show a downward tendency, far more than the other regions. In the southern region, where the importance of service quality holds more weights, only 42.9% of the respondents agree with this perspective. It is the lowest in all the regions. This outcome indicates that those dealers with strong service-oriented business models and high quality services are more confident when facing the challenges ahead, and will exhibit more competitive advantages.

Trends on Aftermarket Sales Profits by Region

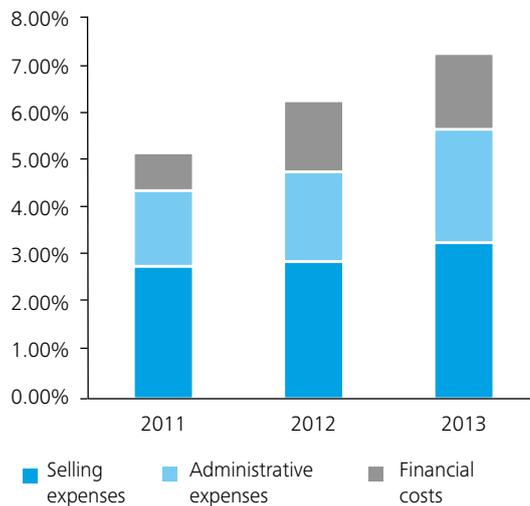


Source: Deloitte China 2014 Auto Dealership Performance Survey

3.3 Operational costs continue to rise

As the survey results show, the rising operational costs is one of the important factors affecting the dealers' profitability. According to the financial report of the public listed dealer groups, the operating expenses in 2011 only accounted for 5.2% of dealers' overall revenue. Yet, this ratio rose to 7.3% in 2013. Under the slower growth of the auto market, the erosive effect from high operational cost on the dealer's profit become more apparent.

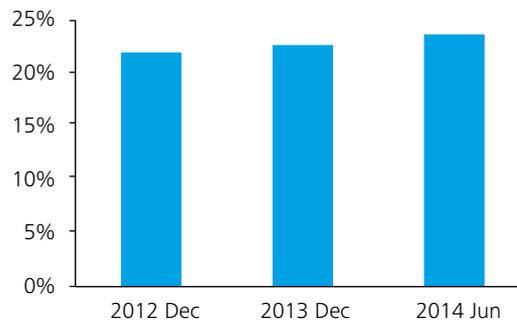
Dealer Group's Major Operating Expenses to Income Ratio



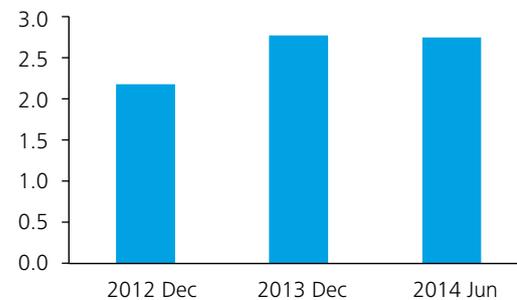
Source: Financial Statements of Listed Auto Dealer Groups

In respect of financial costs, due to the group's expansion and inventory financing needs, the dealers have obtained stable long-term borrowings and short-term working capital loans through various external channels, and gradually improve their capital structures. In 2014, all the self-owned capital and interest coverage in the asset structure of China's auto dealers rose slightly. However, the equity ratio of the auto industry is still only 24% and the interest coverage is only 2.8. The dealers' solvency risk is rather high and their operating profits have been severely eroded by financial costs.

Equity Ratio



Interest Coverage



Source: Financial Report of Listed Auto Dealer Groups

In respect of selling and administrative expenses, with the dealer group's brands diversification and the cross-regional expansion, the shortage of managerial talent at the group level as well as the single shop operational level becomes an issue. Due to the fast-paced expansion, it is hard to fulfill the managerial position at the newly-built dealership stores all at once. Mid-level managerial positions normally assign to the excellent front-line employees from the old stores. Thus, the common issue for the new dealership stores is that most of the managers are too young to have sufficient management experiences, which results in the low efficiency in management. With the increasing number of young managers at the group and the single stores, the inefficient management has led to the rising expenses on the managerial personnel's salary, office and administration.

Improvement for Risk Management

1. Recommendations on improving the dealers' risk management

1.1. Optimize financing management and relieve funding pressures

As the high inventory increases the capital risk and the profit erodes by the rising operating costs, it is critical for dealers to optimize their management on the inventory financing channels, increase liquidity, and reduce inventory financing costs.

First of all, the dealers should actively expand the financing channels. The dealers need to understand local commercial banks' auto dealership financing packages and policies. Then, based on their own financing needs, the dealers should establish extensive and solid financing cooperation relationships with the financing channels.

Secondly, the dealers should fight for favorable loan terms and conditions. When it comes to the terms and conditions of the commercial banks' financing packages, such as the amount of deposit, repayment period, and loan interest rates, etc., the dealers should further negotiate with the banks to obtain more favorable terms and conditions that are suitable for their circumstances.

Thirdly, the dealers need to select financing methods rationally. Based on the inventory turnover days for different vehicle models, the dealers should choose the financing method matching the repayment periods.

Last but not the least, the dealers should synchronize the financing strategy with the sales strategy. The vehicle sales department should take full considerations of the financing cost when they formulate sales and pricing strategy for a car model or a single vehicle. If the cost is too high, the dealers should consider promotional activities to digest inventory. If there is an interest-free period or a fixed cost during the financing period, dealers should take advantage of that period and retain the pricing for that vehicle model. Then, deal with the other vehicles

with higher financing costs or constantly increasing costs first to save the car loan interests and reduce the overall financial expenses.

1.2. Leverage the synergy among all departments and accelerate the business upgrade

Given that the vehicle consumption is at the low level and the government continues to tighten up the regulations, the dealers should change their mindset from a pure focus on the sales to customer relationship management, aggressively establish the synergies among various departments, and expedite the business structures elevation, thus enhance the dealers' overall sales revenues and profitability.

First of all, the dealers should transform from the sales-oriented to customer-oriented. Through better services quality and comprehensive customer relationship management, the dealer will be able to enhance customer loyalty and increase customer stickiness.

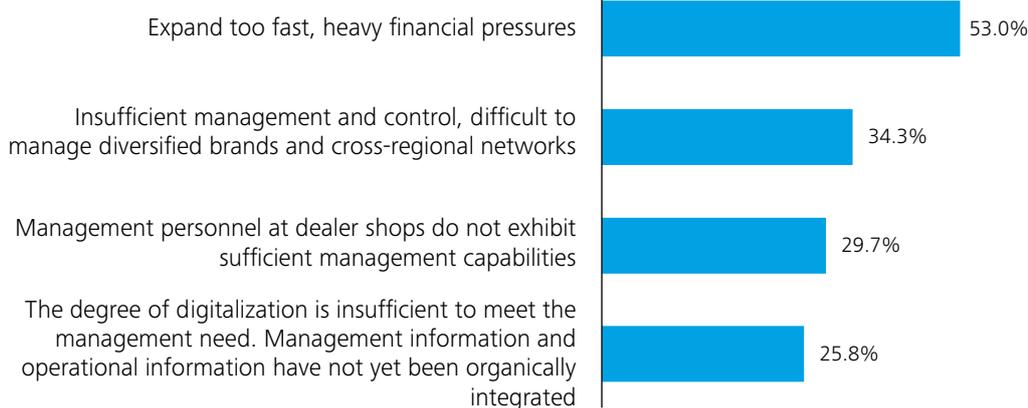
Secondly, focus more on cross-business units' collaborations (new cars, used cars, aftermarket service, auto insurance and finance) and create more cross-selling opportunities through strong customer relationship management (CRM).

2. Recommendations on improving the dealer groups' risk management

2.1. Adjust the expansion pace and enhance the management structure and efficiency

The conglomeration of dealers is an essential path for China's auto dealership industry evolving to a mature stage. However, with the emergence of many shortcomings in the expansion process, the dealer groups should also avoid blind expansions, make timely strategic adjustments, and aggressively eliminate the adverse factors hindering the group's development.

Primary Factors Hindering the Development of Dealer Groups



Source: Deloitte China 2014 Auto Dealership Performance Survey

First of all, the dealer groups need to make appropriate adjustments to the expansion strategy from time to time. When formulating the development strategy, the dealer groups should assess whether their existing resources can support the development and identify the possible risks that may rise in the expansion process, then come out with the response mechanism. While implementing a specific expansion project, the evaluation mechanism should be established to ensure that the increase of brands and networks can bring real benefits and avoid the blind expansion.

Secondly, the dealer groups should enhance the effectiveness of the group's fund management. The dealer groups should improve the rational predictions on the cash flows for entire group and the each dealer store, enhance the planning and flexibility of fund management, and shorten the turnover time of funds within the group. Additionally, the dealer groups should leverage the group's resources to assist their dealers developing financing channels and lower the financing costs.

Thirdly, the dealer groups should speed up the formation of the group's management teams at all levels. At the group level, the talent recruiting and management should be part of the group's development strategy. Establishing stable talent recruitment channels and designing the talent incubation plan should be planned in advance to accelerate the formation of group's management teams at all levels. At the dealer level, the group should integrate the resources from various dealers, improve the deployment of incentive mechanism, and assist the single shops in recruiting as part of the overall talent management system. When designing the compensation system, the group should consider the reality in different regions and provide the single shop manager adequate flexibility to adjust the salary at the local level to ensure the competitiveness and prevent the further loss of talent.

3. Recommendations on improving the OEMs' risk management

3.1. Pay attention to network risk and adjust the management and control ideas

The contradiction between the OEMs and the dealers has becoming more prominent. Due to unbearable pressures from the price decline and the inventory backlog, a number of branded dealers initiated a series of defense campaigns, such as stop taking cars from OEMs, collectively withdraw from the dealership networks, and request sales rebates from OEMs, etc., to protect the sustainability of their business. The campaign not only affected the stability of sales networks but also caused a damage to the OEMs' brands. With the release of several auto industry regulations, OEMs can no longer enjoy the strong position in China auto market as they used to be. The dealers' awareness on protecting their rights will continue to be enhanced. The OEMs will expose to greater regulatory compliance risks and network risks. Therefore, OEMs need to change their network management approach in order to adapt to the new situation.

First of all, OEMs should strengthen the financial management over the dealership networks in order to get a better control on the dealership networks' profitability and liquidity.

Secondly, OEMs should come out with more flexible and reliable business policies, such as adjusting the whole sales pace, marketing strategy, and sales incentives, to support the dealers' healthy operations.

Thirdly, OEMs should provide more targeted technology and channel supports to address the dealers' operating characteristics and inefficiencies, such as coaching, consultancy, financial policies, and information technology platforms, etc. to assist the dealers continuously improving the financials and profitability.

Last but not the least, OEMs should establish a comprehensive dealership risk management system, including the risk identification, assessment, and the response mechanism, to ensure the networks are stable and controllable.

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