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Internet Car Sales Click With Chinese Consumers

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Chinese automaker Geely will sell about 3,000 units online in China in 2014, five years after launching Internet sales on the country's leading e-commerce site.

"The impact of Internet firms has been a major success for the company," Geely spokesman Ashley Sutcliffe says.

Consumers have embraced e-commerce in China, the world's most networked country. They are willing to buy just about anything online, including cars, and thus a new distribution model is being created.

But don't count traditional dealerships out. They still play a crucial role.

"E-commerce in the automotive market is taking off," says Paul Hu, chief marketing officer for Greater China and

ASEAN at Volkswagen Group China. "In my personal opinion, online sales in the total car market in China will account for 10% in the near future."



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Shanghai Volkswagen, one of VW's joint ventures in China, sells cars online in China though a handful of sites. Customers place orders online, but pick up the vehicle at a dealership.

"We do believe that there is some disruption to come to the distribution model, but it is not imminent," says Kyle Dickie, CEO of Sewells Group, a dealership best-practices consultancy. "In China, there is an unusually high level of trust still placed in the sales consultant. In other words, consumers still want to interact face to face."

Smartphones are the disruptive agent. By the end of 2014 China was to have more than 500 million smartphone users, says Wang Xiangrong, an official with China's State Internet Information Office.

Those phones are kept busy buying stuff. Beijing-based iResearch predicts 2014 online retail sales in China will surge 45.8% to RMB2.76 trillion (\$444 billion).

The explosion of online commerce in China is aided by e-commerce giants such as Alibaba, Tencent and Baidu. All are playing a role in changing the vehicle-distribution model in China.

Alibaba owns Tmall, the country's leading e-commerce site. Formerly called Taobao, it is the site where Geely launched Internet sales. Last year, Alibaba partnered with another Chinese automaker, SAIC, to create an Internet-enabled car.

Though consumers can buy a Geely car online, dealers still close the deal. "Consumers can pay a deposit or pay for cars outright online, (but) the official sale will be handled by the nearest dealer," says Sutcliffe.

That allows the dealer to sell additional products to the buyer and also gives the customer a point of contact for aftersales service, he says. Geely has some 800 dealerships in China.

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