Internationalization and distribution strategies of the Chinese automotive sector: The case of Colombia and Peru

ABSTRACT

When the Chinese auto industry decided to stop supplying the local market and expand to the western market, it had to evaluate the best alternative to market its brands. This article develops, on the one hand, from a conceptual approach, the modes of entry and the forms of distribution follow the automotive brands; and on the other hand, from an applied approach, the internationalization and distribution strategies of the Chinese brands (Changan, Great Wall, Haval, JAC and BAIC) of light vehicles present in Colombia and Peru. In this second part you can know the history of each of these brands since they arrived in each of the countries chosen as a case study, its evolution and its current behavior.

KEYWORDS

Internationalization - Distribution - Automotive industry - Chinese brands - Colombia - Peru

1. INTRODUCTION

The automotive sector, in the countries where it is a big business, is one aspect of development for the benefits that it represents for its economy, among them, consumption, employment generation and foreign exchange income, but also in improving the quality of transport of its inhabitants. Although the industry is well developed in the United States, Europe and the Asian continent, it is expected that it will also develop in Latin America, a region that already represents the fourth largest market in the world.

Speaking of Latin America, it shows that in this region three groups of countries are distinguished. The first one, consisting only of Brazil, which, due to the size of its population, consumes almost all of the vehicles it assembles. The second group of countries has a double behavior: it assembles and exports a part of its production but also imports vehicles to supply the local market. Here countries are located in large as Colombia and Mexico. For example, Mexico assembles vehicles for its domestic market but also to export to the United States. The third group of countries is made up of countries that have no local automotive industry and only imported vehicles to cover your market, including, Chile and Peru (BBVA Research, 2010).

This panorama attracted the attention of the Chinese automotive industry, who, due to its expansion plans mainly to developing countries with the capacity to assemble vehicles and export them to regional markets, decided to develop internationalization and distribution strategies for the Latin American region.

With this objective and taking into account the stages of any internationalization process, companies in the Chinese automotive sector or to reach Latin America went through the five traditional stages: occasional export, experimental export, regular export, establishment of sales and establishment subsidiaries of production subsidiaries (Regalado Pezua & Zapata, 2019 a). In that sense, although they started with the occasional export, at this moment the Chinese automotive industry is in different stages depending on the market where it serves, in some cases the brands that supply Chile and Peru are in the third and fourth export stage regulate and establish sales subsidiaries; in other cases, for example those that supply Mexico and Colombia are in the fifth and final stage; that is, the establishment of production subsidiaries. Generally, in this industry the same pattern is taken into account previously followed in other markets with the same characteristics.

In this article, in the first part, and from a conceptual approach, internationalization strategies and the different ways of entering Chinese brands in their expansion process are developed; as well as, the distribution strategies of the automotive industry of the different brands in the markets where they are present. In a second part, from an applied approach, an exhaustive analysis of the Chinese automotive industry in Colombia and Peru is presented.

2. INTERNATIONALIZATION STRATEGIES

Of the possible internationalization strategies, Foreign Direct Investment (FDI) has been used in several countries by the Chinese automotive industry. This strategy involves both the construction of assembly plants and the shareholding of foreign companies in local companies. FDI in turn divided into different input modes: *Joint Ventures* (Joint Ventures), mergers and acquisitions (M & A), New Projects (*Greenfield Project*) projects *Brownfield* and Licensing gifted (Pezúa & Zapata, 2019 b).

The *Joint Ventures* consist in the association between two companies, one foreign and one local in order to create a company in the country where the local company operates, thus sharing ownership and control of it. Generally, the foreign company contributes capital and technology, while the local company contributes a percentage of capital and knowledge and access to the local market. The main advantage of this association is that both companies share investment, risks and knowledge of the market served (Peris O, Rueda A, & Benito O, 2013) (Regalado Pezúa & Zapata, 2019 b).

On the other hand, Mergers and Acquisitions (M&A) are used to acquire new technology, as well as more resources with the objective of competing in developed markets. For example, that it was the strategy used by the Chinese automotive industry to enter the European market (Regalado Pezúa & Zapata, 2019 b).

The New Project or *Greenfield Project* consists of the construction and implementation one factory of the company entering the market where it seeks to start operations. These projects start from scratch, must be governed by the regulations of the recipient country of foreign investment and involves the location of the land and the management of resources in the place where the new facility will be built and installed (Peris O, Rueda A, & Benito O, 2013). For its part, the *Brownfield* Project consists of modifying, improving or increasing the operational capacity of a plant, taking advantage of existing facilities after its acquisition.

Finally, the granting of Licenses are contractual agreements in which a foreign company acquires the rights to produce the goods in the country receiving the exchange investment with previously agreed rate. In this mode of entry, the foreign or licensed company must contribute a greater percentage of the capital necessary to start operations (Sarmiento, 2014).

3. DISTRIBUTION STRATEGIES

In the automotive industry, dealers are a determining agent in the marketing process. They are responsible for marketing, promotion and, in general, to propose strategies for the sale of vehicles (Kamiya M.; Ramirez C., 2004). For a long time, the distribution of vehicles worked under an indirect distribution format, that is, through franchises granted by the parent company to different dealers present in the previously defined markets.

However, due to the penetration of the Internet there have been changes in the sales channels and communication strategies of different brands to approach consumers with different profiles (Fitzen, 2007). In this regard, greater access Internet population has prompted companies to develop multichannel and allowed consumers greater media attention, buy cars and information of interest.

The system of marketing based on contracts (SVM) of the headquarter, through wholesalers and ending in retail, whose main purpose is to meet the goals outlined marketing for major agents, factory and distributors, while maintaining control over channel members, from the first stage of the process, production to the point of purchase. This traditional model loses competitiveness over the implementation of a multichannel system.

For its part, multichannel is based on the combination of different distribution channels to market vehicles. In addition, it allows to obtain greater market coverage and lower costs per sale, as long as there is the infrastructure to support the operation. Some automotive companies that have direct sales through the Internet reflect this type of distribution. Likewise, multichannel allows for greater customization and better delivery of each car sold (Fitzen, 2007).

Usually, automotive companies use multichannel by combining wholesalers, retailers and electronic commerce, with the latter they can reach the customer directly.

In countries like Colombia and Peru, it is common to find distribution through SVM. That is, the use of contracts so that the headquarters can grant an exclusive distribution, in which the manufacturer distributes its products to retail or retail companies with benefits or discounts with the condition of not marketing goods from competing brands (González E, 2015).

According to González (2015), the type of exclusive distribution promotes considerable investments and expenses in after-sales services that contribute to improvement the distribution process and expansion of the offer.

Exclusive distribution, as the name implies, allows retailers to have an exclusive contract for the distribution of specific brands. Despite the above, sometimes, this type of contract is awarded by automotive companies in a more specific way by granting exclusive distribution only by production lines, such as dealer Derco Peru, Chilean - owned company with a presence in Bolivia, Chile, Colombia and Peru, who have, for example, the exclusivity of marketing the line of heavy vehicles of the Fotón brand in the countries where it is present; while the IncaPower dealership manages the lightweight Photon portfolio in Peru.

The Derco Peru dealership sells light vehicles of Changan, JAC, Great Wall and Haval under exclusive brand distribution contract. Make orders and purchase orders to the Chinese factory six months in advance, and having the exclusivity has freedom in its communication strategy, that is, they are not required to follow a line of communication defined by the headquarter. On the contrary, each country can adapt its own strategy based on the knowledge and needs of the markets where they are present.

On the other hand, with respect to vehicles and spare parts from the Asian continent, manufacturing is carried out, in the great majority, in these countries due to the synergy and logistic facilities for the efficient development of the productive chain, and therefore, for the optimization of resources and development of processes for the different factories. For example, Toyota produces in China some spare parts such as steering, drive shaft, engines for their vehicles Coaster, Land Cruiser and Corolla. In the Philippines, engines, speed joints and die-cut parts, for Camry, Hilux, Corolla cars. In Malaysia, Indonesia, Taiwan, Vietnam and Thailand manufactures engines, for different models and types of cars. This could not happen in Latin America, due to the geographical complexity of the countries, the difficult access to communication routes and the deficiencies in maritime transport, concluding in an expensive and inefficient logistics work (Kamiya M.; Ramirez C., 2004).

That is why the Chinese brands mainly have their factories in the Asian continent from where the manufacturing, assembly and dispatch or distribution processes to different countries of the world are carried out. However, as will be seen later, only some brands have assembly plants of few models in countries of the region such as Brazil, Colombia, Ecuador, Mexico, Paraguay and Uruguay, which they distribute to wholesalers or retailers possessing the exclusive distribution of a certain brand (Marklines, sf).

4. ANALYSIS OF THE CHINA AUTOMOTIVE INDUSTRY IN COLOMBIA AND PERU

Below in this section, the analysis of the Chinese automotive industry in Colombia and Peru is developed:

4.1 Colombia

Colombia has a population of 45.5 million inhabitants , it is the third most populous country in Latin America after Brazil and Mexico . Circulate over 14 million vehicles, 57% are motorcycles, 42% are private vehicles, public transportation and cargo vehicle and 1% are machinery, trailers. Colombia has a wide potential market given the low penetration of vehicles. Currently, there are 120 vehicles per 1000 inhabitants, which places it below countries such as Argentina, with 316 vehicles and Chile with 248 vehicles per 1000 inhabitants (BBVA Research, 2018) .

According to information from Procolombia (2018) and AAP (2018), Colombia ranks fifth as a vehicle producer in Latin America, its automotive industry contributes 6.2% of GDP and employs almost 2.5% of the population in assembly activities of vehicles destined for the local and regional market (see Table 2).

Table 2. Vehicle assembly companies in Colombia.

Assembly Company	Year of establishment	Assembling vehicle brand	Vehicle type
General Motors - Colmotores SA	1956	Isuzu, Volvo and Chevrolet	Cars, trucks and *p ickup s*
Sociedad de Fabricación de Automotores SA– SOFASA	1969	Renault	Cars, trucks and utility vehicles
Hino Motors Manufacturing Colombia SA	2007	Hino	Trucks and buses
Photon	2015	Photon	*Pickup* s and SUV
Non Plus Ultra SA	1971	own brand	Buses

Nissan Ltd. Self-Assembly Company		Nissan	
Navistrans S.A.	2003	Agrale	Machinery
Daimler	2012	Mercedes Benz	Buses

Own elaboration

Its exportable offer also includes the spare parts sector, which is integrated by domestic and foreign companies. The main markets to which private cars and cargo vehicles that are manufactured in Colombia are exported to Mexico, Ecuador, Chile and Peru.

According ProColombia (2018) in the year 2017, were sold 238 new vehicles and is expected to grow these sales 7.7% over the next five years. This growth in sales will be driven by improvements in economic conditions, the growth of the middle class, access to the financial market, the development of road infrastructure projects, the country's security improvements and the renewal of the automotive park.

As for Chinese brands is concerned, you can find vehicles that compete in different segments such as Changan, Foton, Great Wall, JMC, JAC Motors, Lifan, Chery, BYD, FAW, Changhe, Zotye, DFSK and Geely. Of this group, JAC, Foton, DFSK, Changan and brands are the JMC have led sales between January and October 2018, reaching post 6 251 vehicles on the market.

Currently, vehicles imported from China pay a fee that varies between 15% and 35%, depending on the type of vehicle - Trucks pay a tariff of 15%, while that cars pay a tariff of 35% - for this The truck market has become an interesting niche for Chinese brands. Only JAC and Foton, which compete in this segment, registered a growth above 20% in 2018.

Since the value of tariffs on vehicle imports difficult for Chinese manufacturers to compete with lower prices, some companies have opted for looking for partners or install factories in Colombia, in order to reduce the value of these tariffs and power Offer your products to the local and regional market.

Colombia, like other countries in the region, has undertaken a vehicle renewal program, with the purpose of promoting its automotive industry (34% of the vehicles sold are assembled in the country), as well as reducing problems of pollution that cities like Mexico and China have. For this reason, the use of hybrid and electric vehicles is beginning to be promoted, especially for the mass transport segment, which is made up of buses and trucks that are over 20 years old.

Changan

In Colombia, Changan cargo vehicles have been commercialized since 2004 by the China Automotive Group, a distributor with more than 40 years in the business and which has dealerships throughout the country. Subsequently, in 2013, passenger vehicles represented by Dinissan, Nissan and Com Automotriz SA vehicle import company, company of the Vardi Group with more than 15 years of experience in the automotive sector representing brands such as Dinissan, Hitachi and John Deere.

In the first year, points of sale were opened in Bogotá, Medellín, Cali, Barranquilla and Pereira. Among the first commercialized models are the CS35 SUV, the Benni compact car and the CX 20 crossover. The CS35 is a medium-sized SUV with a fairly wide interior. This vehicle was designed in Italy and among its most outstanding features are its 1600 cc engine with a power of 123 HP. This SUV comes with leather seats, ABS braking system, airbags for pilot and co-pilot protection and integrated Bosch technology. Its introductory price was USD 19,000 for the Comfort version and USD 21,000 for the Luxury version.

The Benni, is a compact car that has a 1-liter engine with a power of 68 HP, has a 5-speed mechanical transmission and is sold in 2 versions: Comfort and Deluxe. This latest version has ABS brakes and two front airbags. The introductory price of this car was USD 10 000 for the Comfort version and USD 11 000 to Deluxe version.

The CX20, is a crossover developed in the design center that Changan has in Italy. Its special features include its 1400 cc engine of BlueCore technology, which offers low fuel consumption and polluting emissions. The engine has a power of 99 HP and has a five-speed mechanical transmission.

This Chinese crossover is one of the best equipped in its segment, including devices such as ABS brakes, electronic brake distribution (EBD) and two front airbags. The introductory price of this vehicle was USD 16,000 (El Tiempo, 2014).

Changan competes with Asian brands such as Geely, Great Wall, JAC, Hafei, among others. According to the Colombian Association of Motor Vehicles (Andemos) in the year 2018 Changan sold 805 units, 63% more than in 2017 and ended with market share of 0.3% (Andemos, 2019).

Great wall

Great Wall Motors is marketed since 2010 by Derco Colombia. Subsequently, as of 2018, the distribution of vehicles of the Great Wall and Haval brand is in charge of Ambacar, an automotive company with extensive experience in the Ecuadorian market and operating in Peru, Costa Rica and Colombia. Ambacar is associated with Ciauto, a

Great Wall vehicle assembly plant that has been operating in Ecuador since 2013 (Alajo, 2014). In 2018, Ciauto signed an investment contract of USD 22 million in order to consolidate the development of the Ecuadorian automotive industry and export to Colombia.

The first Great Wall vehicle that was marketed in Colombia was the Haval 3, that is a SUV vehicle very similar to the Hover. This vehicle has a 2000 cc engine, four cylinders in line and 16 valves, has a capacity to develop a power of 121 HP. This vehicle has a five-speed manual gearbox and power steering in its 4x2 and 4x4 versions. Another outstanding feature is that the Haval 3 has been designed to have a low fuel consumption, thus complying with the European regulations on emissions of polluting gases Euro 4.

The interior of this vehicle includes air conditioning, central locking, radio with USB input and adjustable and folding chairs. However, one of its most important aspects is the security it offers. The Haval 3 has a double airbag, rear and front disc brakes with ABS and EBD 8.0 system developed by Bosch, which allow intelligent distribution of braking power, allowing greater stability. Haval 3 has undergone demanding tests in the Great Wall Motors crash labs during its development, obtaining four stars in the evaluation of the Australian ANCAP consultancy.

The launch price of the Great Wall Haval 3 SUV is USD 24 800 for the 4x2 version and USD 27 500 for the 4x4 version. Other models marketed were the Voleex C30 sedan, the Florid Cross *hatchback* and the Wingle 5*pick up*.

The Great Wall H6, H5 and M4, well-equipped vehicles that offer elegance, comfort and economy were also marketed. For example, the M4 is a compact SVU that features cruise control, AC system, variable valve opening system, brake assist (BA), electronic stability control (ESC) and pilot and co-pilot airbags. Its engine is four-cylinder in-line, 1,497 cc and a more reverse 5-speed mechanical transmission.

Haval

It is a brand that belongs to Great Wall and specializes in the manufacture of crossover and SUV vehicles. I entered the Colombian market in 2018 under the representation of Ambacar, Ecuatorian importer exclusive representative of Great Wall, Haval and Soueas. The first model to be presented at 2018 auto show was the Haval H6, a sports-looking truck that attracts a lot of attention for its 19-inch wheels, xenon headlights, metalized body sconces and daytime running lights.

This truck of almost five meters long, has a 2.0 GDTI turbocharged 2.0 horsepower petrol engine and is fully equipped with rain sensor, fog lights, climate control, cruise control, Bluetooth connection, reverse camera and parking sensors**.**

The cabin has electrically adjustable front seats, leather upholstery and has a power button. In terms of safety, it has six airbags, ABS brakes with EBD, stability and traction controls, start and descent assistant on slopes, tire pressure monitoring, rollover mitigation, blind spot monitoring and ISOFIX anchors.

The Haval H6 SUV was launched in the Elite and City versions at prices of USD 18 900 and USD 17 800, both with 4x2 traction. In addition, the Elite version brings a touch screen to control the entertainment system and has a reverse camera, which adds to the parking sensors. Haval seeks to establish itself as a specialist in SUV vehicles offering vehicles with a 3-year or 100,000-kilometer warranty.

JAC

JAC is present in the Colombian market since 2016 under the representation of Auto Com has launched models like the crossover JAC S2 and *pick up* middle JAC T6**,** which aims to compete against cars like the Nissan Frontier or Toyota Hilux.

The JAC S2 is an SUV with 1500 cc, four cylinders engine, with variable system in its 16 valves, with a power of 112 HP at 6,000 rpm. This vehicle has a 5-speed manual gearbox, the steering is electro-hydraulic and its wheels are 16 inches of aluminum alloy. The JAC S2 can be compared to other vehicles such as the Renault Sandero Stepway or the Ford Ecosport and was sold at a price of USD 13 100.

On the other hand, the *pickup* JAC T6 is a double cab vehicle designed in Turin, Italy, it has a 2000 cc engine and four cylinders, its power is 127.4 HP. The transmission is six-speed mechanical, has four-wheel drive (4 × 4) and has a load capacity of 990 kilograms. Its sale price is about USD 24 700.

From the year 2018 he was presented the JAC S7 is a 7 SUV occupants which was developed at the Center for Research and Development in Japan JAC. This vehicle has a 1997 cc four-cylinder engine, which offers a maximum power of 188 HP. This model has a 360º parking camera, sunroof or panoramic roof, 18” alloy wheels, electric trunk lid system and electric side mirrors with defogger, in addition to a leather bearing and driver's chair with massager, heating, among other features that correspond to premium segment vehicles. This vehicle is guaranteed for 5 years or 100,000 km. and is sold at USD 33 40 0.

JAC consolidate its presence in the Colombian market, has taken advantage of the interest in electric cars to introduce the JAC E1, and electric vehicle that shares some features with the city-car JAC Smile and the JAC S2 Urban crossover. The JAC E1 has an electric motor of 67 HP, which is powered by a 29.2 kWh battery that offers an autonomy of around 255 kilometers. The battery allows a quick charge in an hour and a half, while in slow mode it takes eleven and a half hours to recharge. This vehicle apart from offering a series of attractive features has an automatic transmission with speed reducer. Its sale price is USD 2 1 30 0.

JAC vehicles are available in more than 19 cities, they also have the technical service and spare parts service in the 21 points of the country. According to the Colombian Association of Motor Vehicles (Andemos), in 2018 JAC sold 3021 units, 6% more than in 2017 and had a 1.2% market share (Andemos, 2019).

BAIC

The BAIC brand has been present in Colombia since the year 2014 under the representation of China Automotive, company dedicated to the commercialization of utility vehicles. However, as of 2018, BAIC brand passenger vehicles began to be marketed by Praco Didacol SA, a company of the Inchape group.

Praco Didacol SA is dedicated to the importation and distribution of a wide variety of vehicles such as Subaru, Dongfeng, DSFK, Hino, Mack, DIECI and Hidromek. This company in association with Toyota has a truck assembly plant located in Cundinamarca, which is dedicated to the production of buses and trucks of the Japanese brand Hino.

With the introduction of the brand BAIC to the Colombian market was inaugurated around three stores in Bogota. Currently, it has 8 stores and spare parts workshops nationwide located in the main cities of the country Bogotá, Medellín, Cali, Bucaramanga, Pasto, and Pereira.

The first models to be marketed were the BAIC X25 crossover and the BAIC X35 SUV at a price of USD 13,500 and USD 16,800 respectively. The BAIC X35 is intended for families looking for not only a comfortable and powerful SUV, but also to offer the greatest equipment available in a more elegant exterior design, while the BAIC X25 seeks to conquer a younger niche, which seeks technology, price and efficiency and experience the agility of a crossover with superior equipment in every way.

These vehicles stand out for their equipment and safety at an affordable cost. Praco Didacol offers a guarantee of 5 years or 100,000 kilometers for private cars, or 3 years or 60,000 km for public service.

4.2 Peru

Peru has a population of 31.2 4 million inhabitants, it is the fifth most populous country in South America after Brazil , Colombia, Argentina and Venezuela. At the level of Latin America, it occupies the sixth place (INEI, 2018). Its fleet has grown the 2012 to

2016 by an average of 7% and currently circulating over 2.6 million vehicles. The 59% are cars and *station wagons*, 26% are trucks, 3% are buses, trucks are 8% and 4% is to formed by tugs, trailers and semitrailers. Lima being the department that concentrates the largest number of cars (66%), followed by La Libertad and Arequipa (Posada, 2018).

The Peruvian automotive market grew in the year 2017, when 180,281 units, an increase of 6% compared with 2016. Despite placed in it, the growth of the automotive market is lower than the average of other countries such as Chile and Brazil, which had a growth rate of 8.9% and 9.2%, respectively. However, in the year 2018 vehicle sales have declined due to increased Selective Consumption Tax (ISC).

In the segment of light vehicles in the year 2018, they were sold 163.668 units, 9.3% below those recorded in 2017 sales, with Kia, Hyundai, Toyota, Suzuki, Chevrolet, Volkswagen, Nissan, Mazda, Great Wall and Renault sold the most commercialized brands in this segment and with a 90.1% market share (AAP, 2019).

For Edwin Derteano, president of the Automotive Association of Peru (AAP), the importance of the automotive market lies in the first place because activities such as mining require vehicle units to carry out their operations. Secondly, because the need to renew the car fleet is increasingly urgent in order to reduce air pollution levels, as well as solve problems associated with vehicular congestion and public transport (El Comercio, 2018).

Apart from the ISC increase to new vehicles by 10%, the Peruvian government reduced the import rate from 30% to 10% to used vehicles that use gas, as well as those that use gasoline and gas. These facts determine that the Peruvian consumer chooses to buy used vehicles, in the case of new vehicles the preference would be directed towards the vans. Trucks such as *pickup* are considered capital goods and therefore do not pay taxes (Medina, 2018).

All these changes affect the renewal of the fleet, which is to estimated 7.5% instead that this percentage is 10%. These changes also increase the age of the automotive fleet, which borders 13 years (AAP, 2018).

On the side of the dealers, they chose to implement creative promotions to sell new vehicles such as offering special bonuses for the purchase of the vehicle, granting payment facilities for the initial fee or skipping that payment, as well as acquiring it directly with fees, according to the value of the vehicle (Medina, 2018).

According to the Foreign Trade Center (CCEX) of the Chamber of Commerce of Lima (CCL) in 2016, they were imported 12.478 new Chinese vehicles for private use, while in 2017 this number increase to 17,788; that is 5.310 more vehicles entered showing a 43% growth in imports of new Chinese vehicles. For the first half of 2018, 11,889 private cars were imported, which represents an increase of 20% compared to the same period of 2017.

The consumer's preference for these types of vehicles is based on the fact that these vehicles consume little fuel, have a lower price than the competition and these brands offer a wide variety of models in different ranges.

According to the study conducted by the C CL taking as reference the periods 2013 to 2017, there are five Chinese brands that concentrate 46% of the total number of units imported into Peru, which are Great Wall, JAC, Chery, Changan and BAIC. The same study indicates that other brands such as DSFK, Foton, Haval, Changhe, among others represent 54%.

While it is true that Chinese brands are increasingly positioning themselves in the Peruvian market. At the level of Chinese car sales in the region, Peru ranks fifth in South America, below Brazil, Argentina, Chile and Colombia (García, 2018).

Changan

Changan is in Peru since 2008 under the representation of Derco Peru. The bus and minibus line is represented by IncaPower, owner company of “Grupo Diamante del Pacífico”, that has been selling vehicles of the Yuejin, Foton, Forland, Higer, Kinglong brands, among others (IncaPower, 2019).

The firsts units be marketed corresponding to the segment of commercial vehicles, which is to consist mainly of vans. Subsequently, in 2013, Changan launched the Eado and CS35 models to the market, thus expanding its market by offering vehicles for passengers (Derco, 2016).

The Eado is a sedan automobile that having a four - valve engine BlueCore 1.600 CC and a power of 123 HP. It has a 5-speed mechanical transmission and in terms of safety, it has double front airbag, ABS + EBD brakes, ISOFIX anchoring system for child seats, among others. This model arrived in Peru in two versions: Comfortable and Luxury. The Luxury version is sporty because it adds an electric sunroof, 16-inch alloy rings, parking sensors and stability control (Peru21, 2014).

The Changan CS35 is an SUV that stands out for having a well-maintained design and offering a good level of comfort. This model also has a 1600 CC BlueCore engine that develops a power of 123 HP. These vehicles are front-wheel drive (FWD) and are sold in two versions, a 5-speed mechanical transmission and a mechanical one. In terms of safety, this truck has ABS brakes with EBD, emergency braking assistance, recoil sensors, front airbags, side protection bars, seat belts with pretensioners and reinforced bodywork with controlled deformation zones (Todoautos, sf).

BlueCore engines are developed by Changan at its Research and Development (R&D) Centers in the United Kingdom. It is a technology that is characterized by offering more efficient engines, less polluting and quieters (Derco, 2016). This technology provides a yield of 55.6 km per gallon on the road, according to tests carried out in the country.

The Changan CS35 is available in three versions, which are the Comfortable (USD 15.490), the Mechanical Luxury (US D 16.490) and the Automatic Luxury (USD 17.990) (Todoautos, sf).

Also Changan has launched a new discount program and activities for customers who purchased the SUV CS35 or CS75. This program called Club Changan CS35 offers special discounts on the acquisition of new vehicles, workshop and maintenance services and invitations to other events organized by Changan in the country (Ingol, 2015).

Changan markets a wide range of cars, SUVs, multipurpose vehicles and commercial vehicles. Until September 2018, Changan has Bía placed 2,167 units, which means ba an increase of 45.1% over the same period of 2017 (Trade, 2018).

According to the Peruvian Automotive Association (AAP), between January and October 2018, 3611 vehicles of the Changan brand were registered, which represents 2.9% of market share and positioning it in the 10th position of the automotive brands that are marketed in Peru and this statistic was identified around 6 cars, 2 653 trucks, 951 SUV and one pickup, with trucks which have a higher share of sales with 73.5%, followed by SUV with 26.3% and cars with 0.2 %.

Great wall

Great Wall is one of the most sold brands of vehicles of Chinese origin in the Peruvian market. Its brand is to present in the country since 2005, under the representation of Derco Peru. The main models highlight the passenger car Voleex C30 and C50; In the SUV segment, it has a wide range of vehicles such as the Great Wall H3, H5, H6 and the M4, while in the *pickup* segment you can find the Great Wall Wingle 5 (Derco Peru, sf).

In the year 2015, about 1,000 SUVs were sold, representing an increase of 12% over the previous year, an achievement in a niche market that decreased by - 1% over the same period. With respect to the *pickup* segment, 300 units of the Wingle model were sold. That same year, the Haval sub-brand was launched, focused on the production of

SUVs with luxury equipment at an affordable price, strengthening the positioning of Great Wall (Nitro.pe, 2016).

During 2016, Great Wall was able to overcome the difficulties and closed the year with good results, the Voleex C30 entered the top 10 of the national ranking of best-selling cars in the market and ranked first among the manufacturers of vehicles of Chinese origin. While the Wingle *pickup* occupied the eighth position of sales nationwide and the first place of sales among Chinese manufacturers.

During the year 2017, sales of Great Wall recorded an increase of 39% compared to 2016, being the model Voleex C30 one of the 10 cars most sold in the market, according to AAP. The Voleex C30 comes in two versions: Fashionable and Intelligent. The Fashionable version is focused on a segment made up of entrepreneurs who use their vehicles as a work tool (taxi remisse), while the Intelligent version is aimed at end users who prefer to drive a car to a truck. This model is more equipped than the previous version and comes with leather seats (Nitro.pe, 2017).

According to the AAP, between January and October 2018, 2.357 vehicles of the Great Wall brand were registered, which represents 1.9% of market share and positioning it among the top 14 automotive brands that are most commercialized in Peru. This statistic was identified around 6 cars, 2 653 trucks, 951 SUV and one *pickup*, with trucks which have a higher share of sales with 73.5%, followed by SUV with 26.3% and cars by 0.2%.

Haval

Haval is a brand specialized in SUV vehicles backed by Great Wall Motors Company Inc. This brand was launched in 2015, under the representation of Derco Peru. Unlike the Great Wall, Haval is oriented to a luxury segment made up of executives and seeks to differentiate itself from the competition by offering superior quality vehicles, complete equipment, great performance, reliability, comfort and elegance, giving the driver a good driving experience to an affordable price (Derco Peru, nd).

Among the main models of the brand you can find the H1, H2, H6 Sport, H6 2.0, H7L and H9. The H2 and H6 being the first models to be introduced to the market with an entry price of USD 17 thousand and USD 18.990 respectively (Management, 2016), similar to that of mid-range vehicles. The Haval H2 is geared to a younger segment comprised of executives while the Haval H6 is more comfortable and luxurious, and is to run an adult family executive.

In the year 2016, Haval already showed rapid growth since it came to occupy fifth place in sales among brands of Chinese origin, displacing others with longer tenure. In the general sales ranking, it was ranked 24 (Diario Uno, 2016).

In 2017, Haval already had 8 points of sale in Lima and 8 in the provinces (Álvarez, 2017). Also, Derco opened stores in Surco and San Isidro, areas where most automotive dealers are present. Given the success in sales in the year 2017 Haval introduced H1, H6 and H7 Sport models. The H1 is a compact truck designed for the youngest public that acquires its first SUV at a very attractive price. The H7 is a luxury SUV that has three rows of seats and finally the H6 Sport, which comes with a 2.0 turbo engine that offers 200 HP (La República, 2017).

According to the AAP, between January and October 2018, 667 Haval vehicles were registered, which represents 0.5% of market share and placing it in 26th place of the automotive brands sold in Peru. Actually, Haval has 37 points of sale nationwide, 8 in Lima and 29 in provinces (Derco Peru, nd).

JAC

JAC is a brand dedicated to manufacture electric buses, motor vehicles, among others. In the country it is represented by Derco Peru. This concessionaire has 36 sales points nationwide, 11 of them are located in Lima and 25 in provinces (Derco Peru, nd).

In 2015, despite lower economic growth and vehicle sales, Derco launched the JAC X200 truck, the JAC Refine Minivan and the JAC S3 and S5 SUVs (El Comercio, 2015), vehicles that had good reception and that positioned Derco Peru as the best distributor of JAC. Only in the SUV segment, JAC sales grew by 158% compared to the previous year (Automundo, 2016).

For the year 2016, the revision of 760 JAC vehicles sold between 2007 and 2013 corresponding to the J3, J5 and S1 (REIN) models was requested due to a risk of fuel leakage. For this reason, Derco Peru communicated with the owners of these vehicles in order to generate an appointment to take the vehicles to the company's workshop and change the fuel pump at no cost to the customer (Gestión, 2016).

According to the AAP, between January and October 2018, 2.896 vehicles of the JAC brand were registered, which represents 2.3% of the market share and placing it in 12th place of the automotive brands sold in Peru. and this statistic was identified around 258 cars, 431 trucks, 1698 SUV and 509 *pickups*, with the SUV which have a higher share of sales with 59%, followed by pickups with 17% trucks with 15% cars with 9%.

Sales of these SUV vehicles were concentrated in the departments of Lima (58%), Trujillo (13%) and Huancayo (7%).

BAIC

BAIC, one of the largest automotive groups in China, has been present in Peru since 2014 under the representation of Motormundo (El Comercio, 2015). Motormundo is a company that is part of the Gildemeister group representing Asian brands such as BAIC, Brilliance, Jinbei, Mahindra, JMC and Geely, has an extensive network of sales, services and spare parts throughout the national territory (Motormundo, 2017). This company has a network of 23 dealers nationwide, 5 located in Lima and 18 in the provinces. It also has 5 workshops that offer technical service (Motormundo, 2017).

BAIC product offering is to aimed at an audience that ranges from 20 to 50 years old. The first models to be marketed are the BAIC UP (in its hatchback and sedan versions), the PLUS minibus (light commercial vehicle), the all-terrain Zoom and the Advance and Senova sedans (Cueva, 2014).

The Up 1.5 sedan has a 113 HP engine, ABS brakes and double airbag. It measures 4,310 m long and weighs 1 105 kg. Meanwhile, the *hatchback Up* 1.5 shares platform and mechanics with the sedan, but its body is a bit shorter (3,998 m) (Peru21, 2014).

The BAIC Zoom is an all-terrain whose design evokes the Jeep Wrangler. This vehicle has a 2400 cc engine, 141 HP power and a 5-speed mechanical transmission (Linares, 2014).

The BAIC Plus minibus is a commercial vehicle for the transport of cargo and passengers. This minibus has two sliding doors and its interior can house a second and third row of seats with a total load capacity of 665 kg. It has a 1200 cc engine and a power of 85 HP, ideal for efficient and fast cargo transport within the city (Expomotor, 2018).

Other models that have been welcomed in the Peruvian market are the BAIC X25, X35, X55 SUVs and the BAIC BJ20 crossover. According to the AAP, between January and October 2018, 1289 vehicles of the BAIC brand were registered, which represents 1.0% of the market share and positioning it in 19th place of the automotive brands sold in Peru. This statistic was identified around 805 trucks and 484 SUV, pickup trucks being those with a greater share of sales with 62% and 38% SUV.

Sales of these van vehicles were concentrated in the departments of Lima (61%), Trujillo (10%) and Piura (4%).

5. CONCLUSIONS

- In Latin America there are three groups of countries, those that join for local consumption such as Brazil; those who assemble to supply their market and export to neighboring countries and also import for local consumption, such as Colombia and Mexico; and those that only matter for local consumption, because they do not have an automotive industry, is the case of Chile and Peru.
- According to the internationalization phases in Latin America, the Chinese industry is in the third, fourth and fifth stages depending on the analysis market, for example, in Peru it is n in the third phase, while in Colombia they are in the Fifth stage, which consists in the establishment of production subsidiaries.
- Of the existing internationalization strategies, Foreign Direct Investment (FDI) has been the most used by the Chinese automotive industry, among other strategies the *Joint Ventures* with the purpose of sharing ownership and control.
- As for the distribution of vehicles in the automotive sector companies are opting for multicanalidad among other competitive advantages allows the customization or n and better delivery of cars sold.
- In Colombia in 2018, more than 14 million motor vehicles circulated, of which 57% are motorcycles, 42% private, public and freight transport and 1% are machinery.
- Colombia ranks fifth as a vehicle producer in Latin America, its automotive industry contributes 6.2% of GDP. It produces for its local market and also for export to Mexico, Ecuador, Chile and Peru.
- In Peru, more than 2.6 million vehicles circulate, of which 59% are cars and *station wagon* s, 26% vans, 8% trucks, 3% buses and 4% machinery. Lima, the capital, concentrates 66% of the cars that circulate in the country.
- Derco is a Chilean capital dealership that is present in Bolivia, Chile, Colombia and Peru, for example, in the latter country it markets under the exclusive brand distribution contract light vehicles of Changan, Great Wall, JAC and Haval.

6. REFERENCES

AAP. (11 de mayo de 2018). Precios de vehículos nuevos subirán 12% por cambios en el ISC. Recuperado el 02 de enero de 2019, de Asociación Automotriz del Perú - AAP: https://aap.org.pe/precios-de-vehiculos-nuevos-subiran-12-por-cambios-en-el-isc/

AAP. (15 de enero de 2019). Ranking AAP: Las marcas de automóviles más vendidas del 2018. Recuperado el 01 de febrero de 2019, de Asociación Automotriz del Perú - AAP: https://aap.org.pe/ranking-aap-las-marcas-de-automoviles-mas-vendidas-del-2018/

Álvarez, I. (18 de agosto de 2017). Haval alista ampliación de su portafolio para reforzar su presencia en el segmento SUV. Recuperado el 07 de febrero de 2019, de El Comercio: https://elcomercio.pe/economia/haval-alista-ampliacion-portafolio-fortalecer-presencia-segmento-suv-noticia-451175

Andemos. (2019). Informe vehículos Diciembre Colombia, 2018. Recuperado el 16 de febrero de 2019, de Asociación Colombiana de Vehículos Automotores - Andemos: http://www.andemos.org/wp-content/uploads/2019/01/Informe-Vehiculos-2018-12.pdf

Automundo. (24 de marzo de 2016). Derco Perú, mejor distribuidor mundial de la marca JAC. Recuperado el 08 de febrero de 2019, de Automundo: http://automundo.pe/derco-peru-mejor-distribuidor-mundial-de-la-marca-jac/

BBVA Research. (14 de marzo de 2018). Situación Automotriz Colombia 2018. Recuperado el 14 de diciembre de 2018, de BBVA Research: https://www.bbvaresearch.com/wp-content/uploads/2018/03/SituacionAutomotriz2018.pdf

Bermúdez, A. (13 de noviembre de 2011). Los fabricantes chinos de autos se expanden en América latina. Recuperado el 08 de agosto de 2018, de La Nación: https://www.lanacion.com.ar/1422569-los-fabricantes-chinos-de-autos-se-expanden-en-america-latinaexpansion

Carvallo, M. (14 de diciembre de 2015). HAVAL presenta un adelanto de su SUV H9 para 7 pasajeros. Recuperado el 13 de febrero de 2019, de RutaMotor: https://www.rutamotor.com/haval-presenta-un-adelanto-de-su-suv-h9-para-7-pasajeros/

Cueva, J. (02 de diciembre de 2014). BAIC fue presentado oficialmente en el Motorshow 2014. Recuperado el 11 de febrero de 2019, de JC Magazine: http://www.jcmagazine.com/baic-fue-presentado-oficialmente-en-el-motorshow-2014/

Derco. (2016). Beneficios. Recuperado el 06 de febrero de 2019, de Changan Perú: https://changan.com.pe/beneficios

Derco. (2016). Nosotros. Recuperado el 04 de febrero de 2019, de Changan Perú: https://changan.com.pe/nosotros

Derco Perú. (s.f.). Concesionarios. Recuperado el 07 de febrero de 2019, de Haval: https://www.haval.com.pe/concesionarios/

Derco Perú. (s.f.). Empresa. Recuperado el 07 de febrero de 2019, de Haval: https://www.haval.com.pe/empresa/

Derco Perú. (s.f.). Modelos. Recuperado el 06 de febrero de 2019, de Great Wall: https://www.greatwall.com.pe/

Derco Perú. (s.f.). Puntos de venta. Recuperado el 08 de febrero de 2019, de Mundo JAC: https://mundojac.com/

Dercocenter. (02 de julio de 2015). Derco y Great Wall Motors Company traen Haval a Chile: el poder de tenerlo todo en un SUV. Recuperado el 13 de febrero de 2019, de Dercocenter: https://www.dercocenter.cl/noticias/derco-y-great-wall-motors-company-traen-haval-a-chile-el-poder-de-tenerlo-todo-en-un-suv/

Diario Uno. (01 de diciembre de 2016). Haval en el Perú. Recuperado el 07 de febrero de 2019, de Diario Uno: http://diariouno.pe/haval-en-el-peru/

Diario Uno. (23 de febrero de 2017). ¡Derco Center de Arequipa se viste de fiesta con descuentos insuperables! Recuperado el 08 de febrero de 2019, de Diario Uno: http://diariouno.pe/derco-center-de-arequipa-se-viste-de-fiesta-con-descuentos-insuperables/

El Comercio. (28 de noviembre de 2015). Derco realiza lanzamientos a pesar de bajas ventas del sector. Recuperado el 08 de febrero de 2019, de El Comercio: https://elcomercio.pe/economia/negocios/derco-realiza-lanzamientos-pesar-bajas-ventas-sector-247598

El Comercio. (12 de febrero de 2015). Motormundo espera vender 2.400 autos en el 2015. Recuperado el 11 de febrero de 2019, de El Comercio: https://elcomercio.pe/ruedas-tuercas/automotriz/motormundo-espera-vender-2-400-autos-2015-333457

El Comercio. (23 de febrero de 2018). Conoce cómo le va al mercado automotor en el Perú. Recuperado el 31 de enero de 2019, de El Comercio: https://elcomercio.pe/suplementos/comercial/mercado-vehicular/conoce-como-le-va-al-mercado-automotor-peru-1003297

El Comercio. (03 de diciembre de 2018). Lo nuevo de Changan, Teradata Corp., Antamina y más en Piqueo Empresarial. Recuperado el 06 de febrero de 2019, de El Comercio: https://elcomercio.pe/economia/negocios/nuevo-changan-teradata-corp-antamina-piqueo-empresarial-noticia-584006?foto=2

Expomotor. (2018). Baic Plus. Recuperado el 11 de febrero de 2019, de Expomotor: http://expomotor.pe/listings/baic-plus/

EY. (2018). Guía de Negocios e Inversión de la Alianza del Pacífico 2018-2019. Recuperado el 11 de febrero de 2019, de Ministerio de Relaciones Exteriores: www.rree.gob.pe/Documents/2018/Guia_de_la_Alianza_de_Pacifico_2018-2019.pdf

EY Bulding a better working world. (2018). Guía de negocios e inversión de la alianza del pacífico.

Farias, R. (12 de setiembre de 2017). JAC lanza ediciones especiales “Full Conectadas a Internet”. Recuperado el 14 de febrero de 2019, de RutaMotor: https://www.rutamotor.com/solo-2-meses-jac-pone-disposicion-clientes-ediciones-especiales-full-conectadas-internet/

Fitzen, L. (2007). Multi Channel Retailling in the Automative Industry. Edinburgh: Napier University of Edinburgh.

García, C. (03 de setiembre de 2018). Aumenta demanda de vehículos de origen chino. Recuperado el 04 de febrero de 2019, de La Cámara: https://www.camaralima.org.pe/repositorioaps/0/0/par/r843_3/comercio%20exterior.pdf

Gestión. (17 de febrero de 2016). Derco Perú llama a revisión a vehículos JAC modelos J3, J5 y S1 por riesgo de fuga de combustible. Recuperado el 07 de febrero de 2019, de Gestión: https://gestion.pe/economia/empresas/derco-peru-llama-revision-vehiculos-jac-modelos-j3-j5-s1-riesgo-fuga-combustible-111953

Gestión. (15 de abril de 2016). Marca Haval va tras el 1.3% del mercado de SUVs del país. Recuperado el 07 de febrero de 2019, de Gestión: https://gestion.pe/economia/empresas/marca-haval-1-3-mercado-suvs-pais-117391

González E. (2015). DISTRIBUCIÓN EXCLUSIVA Y COMPETENCIA. Trimestre económico, 403 - 432.

Homburg C.; Schäfer H.; Schneider J. (2012). Sales Exellence Systematic Sales Management. Berlín: Springer.

IncaPower. (2019). ¡Bienvenidos a IncaPower – Vehículos para ganar dinero! Recuperado el 08 de febrero de 2019, de IncaPower: https://www.incapower.com.pe/blog/bienvenidos-incapower/

INEI. (25 de junio de 2018). Población del Perú totalizó 31 millones 237 mil 385 personas al 2017. Recuperado el 31 de enero de 2019, de INEI: https://www.inei.gob.pe/prensa/noticias/poblacion-del-peru-totalizo-31-millones-237-mil-385-personas-al-2017-10817/

Ingol, J. (22 de diciembre de 2015). Changan inauguró el Club CS35 con actividad recreativa. Recuperado el 06 de frebero de 2019, de Neoauto.com: https://neoauto.com/noticias/novedades-cat/mercado/changan-inauguro-club-cs35

Kamiya M.; Ramirez C. (2004). La industria automotriz: Desarrollos en China y sus implicancias para Latinoamérica. Cuadernos de difusión, 6-18.

La República. (17 de mayo de 2017). Haval vendió más de un millón de SUV. Recuperado el 07 de febrero de 2019, de La República: https://larepublica.pe/sociedad/1042759-haval-vendiO-mAs-de-un-millOn-de-suv

Linares, G. (27 de diciembre de 2014). Baic Zoom 2015 a precios desde $ 27,990 en Perú. Obtenido de Autos Hoy: https://autos-hoy.com/baic-zoom-2015-a-precios-desde-27990-en-peru/

Marklines. (s.f.). Marklines. Obtenido de https://www.marklines.com/en/vehicle_sales/search

Medina, M. (10 de julio de 2018). Alza del ISC inclina preferencias por autos usados y camionetas. Recuperado el 02 de febrero de 2019, de Diario Correo: https://diariocorreo.pe/economia/alza-del-isc-inclina-preferencias-por-autos-usados-y-camionetas-829236/

Motormundo. (2017). Página principal. Recuperado el 11 de febrero de 2019, de Motormundo: http://www.motormundo.pe/

Ng, E. (27 de march de 2018). Chinese SUV maker Great Wall hopes to drive into US market in 2021. Recuperado el 11 de diciembre de 2018, de South China Morning Post: https://www.scmp.com/business/china-business/article/2138986/chinese-suv-maker-great-wall-hopes-drive-us-market-2021

Nitro.pe. (31 de marzo de 2016). Great Wall, número uno en el Perú por diez años consecutivos. Recuperado el 06 de febrero de 2019, de Nitro.pe: https://www.nitro.pe/el-urbano/great-wall-numero-uno-en-el-peru-por-diez-anos-consecutivos.html

Nitro.pe. (08 de febrero de 2017). Voleex C30 en el top ten de sedanes más vendidos. Recuperado el 06 de febrero de 2019, de Nitro.pe: https://www.nitro.pe/mercado-motor/voleex-c30-en-el-top-ten-de-sedanes-mas-vendidos.html

Perú21. (28 de febrero de 2014). Changan EADO. Recuperado el 04 de febrero de 2019, de Perú21: https://peru21.pe/opinion/changan-eado-146871

Perú21. (23 de noviembre de 2014). Motorshow: Sector automotriz espera vender de 3 mil a 4 mil autos. Recuperado el 11 de febrero de 2019, de Perú21: https://peru21.pe/economia/motorshow-sector-automotriz-espera-vender-3-mil-4-mil-autos-197287

Posada, C. (2018). Aumento continuo del parque automotor, un problema que urge solucionar. (C. d. Lima, Ed.) Obtenido de Cámara de Comercio de Lima: https://www.camaralima.org.pe/repositorioaps/0/0/par/r816_3/comercio%20exterior.pdf

Regalado Pezúa, O., & Zapata, G. A. (2019). Estrategias de internacionalización de empresas chinas: casos de la industria automotríz en el mercado sudamericano. Revista Academia & Negocios - RAN, 115-130.

Regalado Pezua, O., & Zapata, G. A. (2019). Inversión china en el sector automotriz latinoamericano. Lima: Universidad ESAN.

Todoautos. (s.f.). Changan CS35 2013-2014, Precios y Características. Recuperado el 06 de febrero de 2019, de Todoautos: http://www.todoautos.com.pe/portal/changan/cs35/precios

Todoautos. (s.f.). Changan lanza en Perú sus nuevos modelos Eado y CS35. Recuperado el 06 de febrero de 2019, de Todoautos: http://www.todoautos.com.pe/portal/autos/178-lanzamientos/6757-changan-cs35-eado-peru

Yang, J. (27 de julio de 2009). Changan wants Magna for assembly in Mexico. Recuperado el 15 de febrero de 2019, de Automotive News: https://www.autonews.com/article/20090727/GLOBAL03/307279856/changan-wants-magna-for-assembly-in-mexico