

Tuhu Car Maintenance - The growth path of an automotive aftermarket leader

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Abstract: In 2011, when Tuhu Car Care was established, China began to have a professional "car care e-commerce platform". On 4 August 2020, the Hurun Research Institute released the Hurun Global Unicorn List 2020 and Tuhu was selected. So what is it that makes Tuhu survive in the fierce ten-year market competition? And what challenges will it face in the future?

Keywords: Automotive aftermarket; Tuhu car maintenance; Growth.

1. Introduction

The after-market refers to the various services provided during the use of a car after it has been sold, and it covers all the services that consumers need after buying a car (Balinado et al., 2021). In other words, from the sale of a car to its end-of-life, a series of transaction activities around the various after-sales needs and services in the process of using the car.

From the point of view of car ownership, the aftermarket has enormous potential. Car ownership refers to the number of cars already owned by a country, region or city. Car ownership determines the real demand for the aftermarket. As of March 2010, there were approximately 192 million motor vehicles and 205 million motorists in the country. By the end of 2020, there will be 281 million vehicles in the country. Among the lengthy car aftermarket segments, from a narrow perspective, the maintenance business of the car aftermarket is one of the segments with the "most rigid demand" and "relatively high consumption frequency" in the life cycle of consumers' cars (Huo and Wang, 2012). With the gradual spread of the internet in China, many used car websites, car websites and car communities were born. With the wind of the Internet, Chen Min founded the Tuhu Car Care website.

2. Five key Factors of Tuhu growth

2.1. From a professional tyre e-commerce platform to a one-stop car maintenance

In 2011, Tuhu.com entered the aftermarket with the tyre category, becoming the first professional tyre e-commerce platform. In the initial stage, Tuhu.com mainly adopted the business model of O2O for maintenance and repair + B2C for auto parts. Tyre producers sell their products directly on the platform, and after consumers have gone through online shopping, the website provides offline fitting services. In the process of offline services, consumers' needs are continuously stimulated and the company's service scope is gradually expanded (Balinado et al., 2021).

Thanks to the user resources accumulated on the online platform, the offline services are carried out like a fish in water. In terms of categories, in addition to tyres, Tuhu has expanded its main businesses such as maintenance, beauty and auto supplies, expecting to change consumers' maintenance habits through high-frequency consumption items, while occupying the majorities of the market share.

2.2. Getting through online and offline to provide closed-loop service experience

Chen Min's experience in this industry has helped him to accurately perceive the essence of the car aftermarket, which is service-oriented and offline. As a result, in addition to optimising his online business, Chen Min places exceptional importance on offline shops. This insight has also helped smoothly shift from a platform model to a service model that integrates online and offline. Online and offline are themselves one and the same. The platform can give the shops additional channels to expand their customer base, and the shops' services can strengthen the users' reliance on the platform (Huo and Wang, 2012). The ultimate goal of Touhou is to provide an integrated, complete and quality service for customers with a quality service experience and professional shop technology. At the same time, the shops can also work with Touhou to win the trust of consumers and site selection, which ultimately helps the shops to be more profitable.

In the process of integration, Touhou insists on consumer satisfaction as the guide. The purpose of this is to ensure that customers are always in a transparent, open and guaranteed product supply system, so that they can feel at ease. At the same time, all customers' in-store service processes, customer information and construction records will be electronic, and the electronic records are linked to the consumption records on the Touhou APP, thus truly helping customers to have an independently managed information system, and thus continuously improving customer satisfaction.

2.3. Splitting the service process, develop refined and standardized industry service specifications

In May 2019, Tuhu released the "Tuhu Car Care Workshop Shop Service Standardisation Evaluation System", which covers four major parts: technical construction standardisation, service process standardisation, management and operation standardisation, as well as offline supervision and feedback processes, and is constantly being upgraded. Under the guidance of the relevant departments, Tuhu has actively organised and promoted the "Pilot Project on Standardisation of Car Aftermarket Services", which has compiled teaching materials and corresponding courses, and made clear provisions on operational processes, norms,

quality assessment and other aspects. To improve the level of service. In the case of tyre changing, for example, the training is divided into a large number of standardised steps, and specific details such as whether the valve needs to be changed when changing a tyre and whether a torque spanner is required when dismantling are clearly defined, so as to regulate the operation of the technicians (Zhao et al., 2022).

The most typical embodiment of service standardisation is the "Eight Steps and Ten Rules" array summarised by Touhou Car Care. The eight steps include the entire process of welcome, pre-inspection, inspection, construction, quality control, acceptance, settlement and delivery of customers throughout the service process; the ten articles of Touhou standardise all aspects of management and operation, such as order creation and operation, environmental management, small procedures, SI management, personnel management, tools and equipment, fire safety, after-sales service, training and guidance, booking and goods management, etc (Dong and Ge, 2022).

2.4. Adhering to self-management to ensure the quality of products and services

In the process of transformation, the first thing encountered is the problem of trust. Chen Min had said: "In the market above the first to ensure the genuine product is no doubt, we insist on doing self-operated, although the cost of doing self-operated is relatively high, to have their own supply chain, warehouse, logistics, the cost is relatively high. But if you don't insist on it yourself, it is very difficult to solve the problem of consumer trust." To solve the problem of consumer trust, it is not only necessary to consistently guarantee genuine products, but also to strongly control the offline service scenario - the maintenance shops, which is exactly what B2B is all about. As a result, Tuhu has made perhaps one of the most crucial decisions, setting up the first Tuhu workshop shop in Shanghai. The factory shop is a direct way to gain the trust of consumers. Tuhu built its own warehousing and logistics system to optimise the supply chain and be able to achieve genuine product traceability. In addition, through the development of the operation system and APP, the shop operation standards and efficiency are continuously improved (Dong and Ge, 2022).

2.5. Digitization

After reaching 2,000 shop stores, Tuhu Auto will continue to carry out digital operation and accumulation. Based on previous digitization exploration, Tuhu recently launched a more systematic digitization solution -- Yuntu Engine. It is reported that Yuntu Engine will make efforts from online, offline, supply chain, service support, talent training and other five aspects, covering the whole industrial service chain of the car market.

For Hu Xiaodong, president of Tuhu, digitization will be an effective way to solve the industry's pain points. "For dealers, they don't have user data. It's a matter of experience what to stock up on; Manufacturers are basically in a state of disconnection with consumers, product planning is very slow, lag; For stores, management efficiency is extremely low because service standards are not uniform, which also leads to poor consumer experience." Hu Xiaodong describes the various problems faced by dealers, manufacturers, stores and consumers.

Tuhu Car Maintenance uses digital means to open up the upstream and downstream of the industrial chain and make it

more collaborative. In this way, it will help the brand to establish more efficient supply chain management and warehouse management, and further improve the inventory management ability on the basis of "one thing, one size". For dealers and stores, data can also help them more accurately grasp consumer demand and control the pace.

Online, one of the main features of Yuntuengine is the promotion of short video + live streaming mode combined with mainstream short video platforms, to help bring goods. In addition, at the level of customization, Yuntu Engine will launch personalized C2M (user direct connection manufacturing) services to help manufacturers find more accurate product positioning. In offline, supply chain, service guarantee, talent training, Tuhu will continue to dig deep in the digital field.

3. Important challenge

3.1. Intensified competition

First of all, Tuhu and its biggest competitor Xinkangzhong are still in the growth stage. Although they have a profound influence on the industry, they have not yet reached the monopoly stage. It is uncertain whether there will be monopoly power in the after-car market. Secondly, the current goal of both sides is to grab core resources such as stores and talents. The strategy of Xinkangzhong is to first establish high-quality regional chains, and then develop stores through them. Tuhu, on the other hand, prefers to expand with the help of outside investors. As a result, Tuhu added nearly 800 shop stores in 7 months in 2020. Xinkangzhong built 500 stores from scratch in eight months. In terms of talent reserve, the two sides have accelerated cooperation with higher vocational colleges and targeted training of veterans. In terms of core management talents, the two sides often poach each other. In addition, both sides are increasing the proportion of investment in technology research and development and store operation. Tuhu will build 6 new technology centers in Q4 2020, and plans to build 10 new technology centers in 2021, covering 80+ auto brands. At the same time open Audi, Honda expert technician certification. Xinkangzhong spends more aggressively on research and development, spending 16% of its earnings annually on research and development, according to its COO.

Tmall and JD.com and other capital have also seized the after-car market. In addition, according to sources, Xinkangzhong plans to build 800 flagship auto parts stores in the future to provide exclusive parts services for Tmall cars. On the other hand, Tmall has teamed up with local chain owners to set up a new consulting service company in Xi'an to help local franchisees improve their operational capabilities. Once the pilot is successfully rolled out, the impact will be significant. A few days ago, Tmall car reduced the franchise fee, it seems to indicate the two sides of the "store battle" upgrade. Xinkang Zhong to win the final battle, Tmall car will be the most important link. In addition to the competition with Xinkang Zhong, there is Jingdong Auto, a strong competitor. Driven by the "double cycle" market logic of "supply chain integration + Beijing Car Club focus", Jingdong Auto has set Beijing Car Club as a key development object. To this end, Beijing car will restructure the chain model, strengthen supervision, increase the franchise fee, in order to create a "high standard store" chain model. According to the insiders of Beijing Motor Vehicle Association, the present Beijing Motor Vehicle Association is "the Tuhu of

three years ago". Given time, the mode will run through and it will be a strong competitor in the diversified pattern behind the car.

Oems have sprung up. According to the layout strategy, several independent after-sales oems can be divided into three categories: one is maintenance chain, which drives the development of auto parts supply chain, represented by car Xiangjia; The second is the parallel maintenance chain and auto parts supply chain, represented by SAIC GM Automotive Workshop Deco and BAIC Haozhi; Third, the auto parts supply chain is the first to drive the development of maintenance chain, with PSA Europe maintenance as the representative. From the resources mastered by the Oems and the determination to build the owner ecology, the Oems are bound to have a place in the evolution pattern of China's aftermarket.

The car insurance market is further segmented. With the implementation of the new insurance policy, insurance companies layout owners ecology, it is necessary to promote auto parts, auto repair greater degree of coordination. In this case, insurance companies pay more attention to skilled comprehensive repair plants. Although the number of comprehensive repair factory stores is small, but each size and influence is not small. They are also looking for opportunities to form alliances with other resources, such as insurance companies, to address the "trust and trust" barriers with technology and mechanisms, so "Insurance + comprehensive Repair factory" will also be a force to be reckoned with. In addition, brand owners represented by Mobil Michelin are also reforming channels to strengthen the control of the terminal. It is also worth paying attention to how supply chain enterprises such as Kuazhun Auto Service, Kaisi, Haomete, and Santou Liushou build up their own terminal system.

In the future, it will take time to verify who can break out of the multi-foot structure or the market status of the car market for a long time.

3.2. Automotive industry change

IDC data shows that China will sell approximately 1.16 million new energy vehicles in 2020, and by 2025 new energy vehicle sales will reach approximately 5.42 million. The compound annual growth rate (CAGR) of new energy vehicles from 2020 to 2025 will be 36.1%. With the rise in new energy vehicle ownership, Sun Mingda, Vice President of the China Council for the Promotion of Trade, mentioned that the first to face "cutbacks" are garages, as the low energy consumption of new energy electric vehicles has made the need for mechanical repairs less frequent, which should also be one of the considerations for companies to integrate into the aftermarket segment (Zhao et al., 2022). What immediately follows is the disappearance of demand for powertrain-based consumable parts, and consumable parts chains, with rapid distribution of powertrain consumable parts as the main demand, will also disappear with demand (Huo and Wang, 2012). From an industrial perspective, the changes in vehicle electrification are also profoundly affecting the entire automotive industry chain. This means that the automotive aftermarket is not only facing an industry reshuffle brought about by the digital upgrade, but is also facing the impact of changing service demand under the spurt of new energy vehicles at the same time (Zhang et al., 2017). In addition to electric vehicles, hydrogen fuel cells are also receiving widespread attention, and the related hydrogen-related accessories are also different from traditional

accessories. With the gradual implementation of relevant national policies, the aftermarket may further expand into this segment in the future.

One of the most obvious changes in the aftermarket is car maintenance. As we all know, the biggest component difference between new energy vehicles and traditional cars is the difference in engines, one is electric and the other burns oil or steam. As a matter of course, the maintenance methods for traditional fuel cars are very different from those for new energy vehicles (Qian et al., 2013). One change that can be foreseen is that, due to the completely different service content and requirements for technicians, the original auto repair shops that do traditional fuel cars will have a series of transition difficulties when they switch to a service logic based on electric cars. Even the current auto parts chain platform, which is positioned to serve traditional auto repair shops, will face serious challenges in the industry.

In the face of COVID-19, Tuhu has made great efforts to help its factory stores reopen. With the development of the epidemic, the resumption and operation of enterprises across the country have been affected to some extent. In order to help the business owners of Tuhu Car Farm to resume operation and healthy development, and reduce the impact of the epidemic, Tuhu Car Farm will spare no effort to provide support. Since the end of 2019, Tuhu has introduced a series of measures to fight the epidemic together with all the shops and businesses in the factory.

3.3. Epidemic impact

Tuhu Auto Maintenance has issued several documents, such as "Tuhu Auto Maintenance Factory's Emergency Response Measures against the Epidemic" and "Auto Repair Store Business Epidemic Prevention Guide", in an effort to protect the safety and rights of consumers and employees, as well as customers' emergency vehicle maintenance needs. In addition, a series of measures have been taken to prevent and control the epidemic in shop shops: in addition to reducing and reducing the management fee of shop shops nationwide, a special recruitment team has been set up to provide staff supplements in consideration of the possible difficulties in hiring and recruitment in the worst-affected areas (such as Wuhan). And from the personnel epidemic prevention management, store health epidemic prevention management and other aspects, to provide reference for the industry auto repair stores to resume business. In order to alleviate the operating liquidity fund problems that shop shops and merchants may encounter and help shop shops and merchants develop healthily. Tuhu is also working with Minsheng Bank to launch a low-interest, unsecured credit product with a total amount of 100 million yuan for factory shops and merchants. Prior to this, Tuhu Car Maintenance has reduced the management fee of the shop, a total of 6 million yuan. Tuhu said that in the future, it will continue to fully support the shop merchants to resume business and overcome the difficulties.

After the epidemic has been effectively controlled, Tuhu has actively resumed the work of workshop stores in various regions according to the requirements of local resumption policies. Combined with the customer needs under the epidemic situation, the comprehensive results of Tuhu car maintenance in recent years in standardized service, authentic product guarantee system and other fields, has continuously launched free in-car disinfection service, "contact-free car maintenance" service, 81 standards of Anxin stores and door-to-door car delivery service and other innovative measures, so

as to let the owners of cars, safe driving.

To minimize the potential spread of the virus and avoid cross infection, Tuhu has launched a free in-car disinfection service, which lasts for one month and is available in nearly 1,300 stores nationwide. In order to provide safer vehicle maintenance services, Tuhu has issued the service standard of "contact-free car maintenance" to provide owners with "contact-free car maintenance" services. Through electronic + standardization to realize "contact-free car maintenance", minimize the contact between people. The whole service can realize the electronic detection of online orders, watch the construction live broadcast at any time, sterilize the key, and keep a safe distance throughout the whole process, so that the owner is more relaxed and assured. In order to safeguard the "last mile" of epidemic prevention and control, Tuhu has launched a safe and efficient door-to-door pickup and delivery service. It provides users with a series of convenient processes such as online reservation, door-to-door pickup and delivery, and realizes the whole "contact-free" safety maintenance service of car maintenance. In order to further let car owners at ease, Tuhu car maintenance announced again, comprehensive 81 standard screening, to create the "peace of mind store" officially launched. When all the factory stores of Tuhu Car Maintenance nationwide resume work, they must strictly follow the standards of Ananxin stores and provide owners with peace of mind services covering environment, products, technicians, services and after-sales services.

The introduction of the above innovative measures can not only reflect the response ability of Tuhu car maintenance in the face of special circumstances, but also directly reflect the customer-oriented close performance, in addition to the decades of Tuhu car maintenance in the Internet technology, maintenance service system and other aspects of strength. These measures helped Tuhu survive the difficult period of the pandemic.

4. Summary

Aftermarket refers to the various services provided during the use of the car after the sale of the car. It covers all the services that consumers need after buying a car. That is to say, in the process of automobile sale to scrap, a series of transaction activities surrounding various subsequent needs

and services in the link of automobile after-sales use.

From the perspective of car ownership, the aftermarket has great potential. Car ownership refers to the number of cars already owned in a country, region or city. The number of cars determines the actual demand of the aftercar market. By March 2010, the number of motor vehicles in China was about 192 million, and there were about 205 million motor vehicle drivers. By the end of 2020, the number of cars in China reached 281 million. In the long segment of the aftercar market, from the narrow perspective, the maintenance business of the aftercar market is one of the segments with "the most rigid demand" and "relatively high consumption frequency" in the life cycle of the consumer car.

For Tuhu, if it wants to win the competition in the future, it will have to spend a lot of effort to achieve user retention, while service efficiency and quality will also be decisive factors. On top of this, it will also have to construct its own eco-system and achieve fine operational efficiency. Only in this way can we stand out in the midst of heavy competition.

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