

Used Vehicle Distribution in China

From the Viewpoint of Reductive Process of Information Asymmetry

Hiroshi Shioji

Faculty of Economics, Kyoto University

Abstract

Taking a look at new-used ratio, its ratio in China is very low. In other words, in China used vehicles distribution is still less developed comparing with new vehicles distribution.

Why new-used ratio in China is low? First, demand for used vehicles is sufficient. “If they get a trade-in, they can easily sell it” the broker said. Therefore used vehicle retail prices are higher comparing with US. Demand side is not the reason new-used ratio is low.

Secondly, supply of used vehicles is not sufficient. Remarketing vehicles are very short comparing with actual demand.

Thirdly, distribution system have a lot of problems. Consumers can not put trust on used vehicle dealers, even ‘authorized agents.’

Why entry users tend to avoid used vehicle agent? Because there is asymmetry of information. Information customers have is small. On the other hand, information brokers have is big. Therefore, possibility customer might be deceived is high.

In order to grasp the development of used vehicle distribution system in China, we regard the reduction of information asymmetry as its benchmark.