

Innovation to keep carmakers ticking

Nielsen study charts future growth map for companies

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As China's economy enters an era of low growth, the backbone automobile industry will face the new challenges after several years of surging market demand.

In a study based on a nationwide survey of more than 1,000 auto consumers in 10 cities in China, industry data and analysis company Nielsen in partnership with the China Association of Automobile Manufacturers identified key challenges posed by the evolving needs of China's consumers.

"The Chinese automobile industry is seeing a compound annual growth rate of only 6.3 percent today compared to more than 25 percent before 2010," said Dong Yang, executive vice-chairman and secretary general of CAAM.

"Daunting challenges exist for all automobile manufacturers trying to maintain healthy growth in a more competitive market.

"Instead of targeting volume sales, auto manufacturers should think about achieving profitable sustainability from both a product and marketing perspective, building category leadership by offering the right products to the right consumers through the right channels."

Changing tastes

Though sedans are still the most important vehicle among Chinese consumers, owned by 54 percent of surveyed respondents, sports utility vehicles loom large in the coming years.

According to the Nielsen study, more than half of potential Chinese car buyers surveyed plan to purchase a SUV, compared with only 20 percent among today's car owners.

SUVs priced between 180,000 yuan (\$29,508) and 300,000 yuan were favored by 45 percent of consumers, followed by those with a budget between 300,000 and 500,000 yuan.

Multi-purpose vehicles — more widely known as vans —

and coupes are also expected to grow in market share, according to the joint report.

Though their share is now very small — 2 percent for MPVs and 1 percent for coupes — they have increasing purchase sentiment among Chinese consumers surveyed. Each is projected to grow to 6 percent of the market.

Coupes in particular are favored by 52 percent of consumers whose car purchase budget goes beyond 300,000 yuan.

"Instead of only viewing a car as a tool for daily commuting, today's Chinese consumers are more sophisticated," said Alice Yu, vice-president of auto consumer research of Nielsen China.

"From a product perspective, we see stronger demand for middle and high-end SUVs and MPVs priced beyond 180,000 yuan, with most potential buyers coming from the current sedan and small SUV owners.

"The desire for a coupe is mostly from those with a budget beyond 300,000 yuan, so when developing coupe, it needs to be high-end in order to win the hearts of those who are aspiring for a lifestyle of speed and fashion," Yu explained.

Tech innovation

The joint study by CAAM and Nielsen revealed a welcoming attitude toward intelligent vehicle systems as nearly 40 percent of Chinese consumers aspire to own a "connected car."

Among the 42 percent of those who have telematics in their vehicle, a rear-view camera, large touch screen, online news and Bluetooth connection are all frequently used functions.

"Besides the traditional telematics, we see a growing need from automotive consumers for Internet-based functions including online news, music and navigation. Smartphones will play a dynamic role in future connected cars," said Yu.

The survey shows 63 percent of Chinese consumers hope to connect telematics systems with their smartphones.



LIU QINLI / FOR CHINA DAILY

Engineers at the JAC factory in Hefei, Anhui. The Chinese auto industry faces a market growing at 6.3 percent compared to more than 25 percent before 2010.

Increased driving safety, ease of navigation, 3G Wi-Fi hotspot connectivity and voice control are the most desirable smartphone functions for telematics in the vehicle, said respondents.

"Given the high and still increasing interest in and aspirations for connected cars among Chinese consumers, manufacturers who are putting efforts into the development of vehicle telematics have a better chance to succeed in the big data era," said Dong.

Savvy marketing

In addition to online auto forums and official micro-blogs by brands, WeChat has become one of the most trusted car-related information channels for car buyers thanks to the high number of smartphones across the country.

"The widespread use of smartphones has changed Chinese consumer behavior

around car purchases, and likely the payment model for car trades as well," said Yu. "Both smartphone apps and WeChat provide user access to multiple car-purchase platforms that to some extent have further stimulate development of e-commerce in the automobile industry," said Yu.

The study said four out of 10 consumers would consider buying cars online.

"Obviously, the penetration of smartphones has had an impact on consumer behavior. It has become a channel of information and a tool for online payment," said Yu.

But manufacturer websites remain the most trusted channel for information, followed by professional automotive sites, dealer websites and e-commerce sites, said the study.

"One-stop services" remain the most expected services among Chinese consumers for an online car purchase, but

"compared with the e-commerce business model for ordinary fast consumer products, automobile products involve a more complicated process with a hybrid of different stakeholders within the market," said Yu.

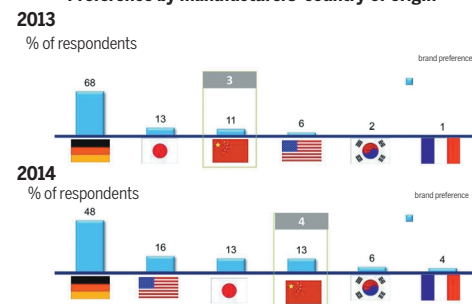
"It brings challenges but also opportunities for automobile companies to take a more innovative strategy by leveraging the advantages of third parties."

Brand reputation

According to the study, German brands were preferred by 48 percent of respondents, followed by American and Japanese brands. The preference for Chinese brands increased 2 percentage points from 11 percent in 2013 to 13 percent this year.

"Consumer attitudes toward the country origin indicate a growing challenge worth the attention of Chinese home-

Preference by manufacturers' country of origin



SOURCE: NIELSEN AND CHINA ASSOCIATION OF AUTOMOBILE MANUFACTURERS

grown brands," said Yu.

The gap between Chinese and foreign brands is also reflected among respondents' opinions on dealer services, marketing communication, competitive position and image.

"The building of a successful brand relies on different factors, not only

about product quality, safety and advanced technology, but also other touch points for a brand.

To innovate, Chinese brands need to improve the consumer experience at each touch point from product development to dealer showrooms and advertising effectiveness," said Dong.

BMW caravan in colorful Guizhou

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The Chinese name BMW uses translates as "precious horse" while the province of Guizhou literally means "precious state".

The two met in late June when the horse galloped in to explore the cultural richness of the southwestern province.

Home to about 50 ethnic groups, Guizhou is well known for its distinctive charms and cultural gems such as the Kam

grand choir, silver jewelry and batik cloth.

Yet many ethnic treasures in the province are endangered by rapid social and economic development. Some day they could become history for good.

Such abundant Chinese heritage is why the German luxury automaker began an annual culture journey in 2007, providing material support and awakening public awareness of the need to protect cultural heritage across the country.

Increasing awareness plays

a fundamental role in protecting China's intangible cultural heritage, said Luo Wei, deputy director of China Intangible Cultural Heritage Center at start of this year's event.

From June 27 to July 4, a fleet of more than 20 BMW cars and SUVs traveled two routes in the province and experienced some 40 intangible heritage items in their natural settings.

Along the eastern route, the caravan visited villages of the Dong ethnic group and listened to traditional songs and music played on copper drums and a reed-pipe instrument called the lusheng. The tour also witnessed traditional craftspeople at work making embroidery, batik and silver jewelry.

It then headed for the western part of the province where they experienced the centuries-old Anshun Tunpu culture, the Buyi culture and the King Yalu culture of the Miao.

The heroic tale of King Yalu sung at funerals for many generations was officially named a national cultural heritage item in 2011.

A 10,819-line version of the

tale has since been published, with more research expected in the future.

The BMW fleet also visited a village called Tianlong Gupu in Pingba county. With origins traceable to the early Ming Dynasty (1368-1644), villagers are descendants of ethnic Han soldiers who manned a garrison in the area. Even today locals speak a dialect that closely related to the one in Nanjing, a former Ming capital.

The village is also home to an opera that people perform wearing masks made of wood that are believed to show respect to gods and help dispel evil. The opera was made a cultural heritage item in 2006.

Wang Yanjun, a veteran participant in the event, said the traditional cultures of Guizhou are "extremely beautiful and precious."

"They are so strong that have survived for thousands of years," he said. "We must treasure them and protect them so that our offspring can still have the chance to see these precious things."

Guizhou is also known for its



LI FUSHENG / CHINA DAILY

Anshun Opera is among the vast array of distinctive cultures in Guizhou.

cuisine. Spicy and sour dishes are the most obvious feature. Seasoned sour vegetables and sour fish soup are famous around the country.

Food varies among ethnic groups, with Miao people holding the so-called long table banquet and the Dong proud of their sticky rice, sweet rice wine and seasoned vegetables that are enjoyed with toasting songs.

To help protect the vitality

of the diverse cultures, BMW donated 1 million yuan to preserve several intangible heritage items in the province. It has donated 8 million yuan that benefited 77 such items across the nation since the program began in 2007.

The program has so far covered more than 210 cultural heritage items along a combined journey of 17,000 km across 21 provinces.

The road trips have included the Silk Road, grasslands in northern China, the Beijing-Hangzhou Grand Canal and riverside towns in the south.

The project has set "an example on how social powers can take part in the protection of intangible cultural heritage," said William Valentino, deputy director of the China Institute of Social Responsibility at Beijing Normal University.



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Buyi people are among some 50 ethnic groups in the province.