

# BMW in China.



## JOY IS BMW.

Analysts' Meeting

Munich  
March, 2010



Sheer  
Driving Pleasure

# **BMW in China.**

**Introduction to China.**

**Introduction to the Automotive Market in China.**

**Introduction to BMW in China.**

# China.

## Influence of the Three Beliefs on Chinese Culture Throughout Time. Confucianism, Taoism, and Buddhism.



A famous scholar in the Ming Dynasty once said:

"**Confucianism** is the outside, **Taoism**, the inside, and **Buddhism** is the direction in which it's all going."

Throughout Chinese history it has also been said that "the strong believe in Confucianism, the intellectual, in Taoism, and the wise, in Buddhism."

# China.

Chinese Civilization is one of the Only Ones in the World that has been Developing for more than 4,000 Years Without Lasting Interruption.

## Empirical Influence:

From 2200 b.C. until 1912 ruled by Emperors

Time between the two world wars 1912 – 1949 Republic of China

People's Republic of China since 1. October 1949

## Political and Economical Wind of Change Deng Xiaoping (1904 - 1997)

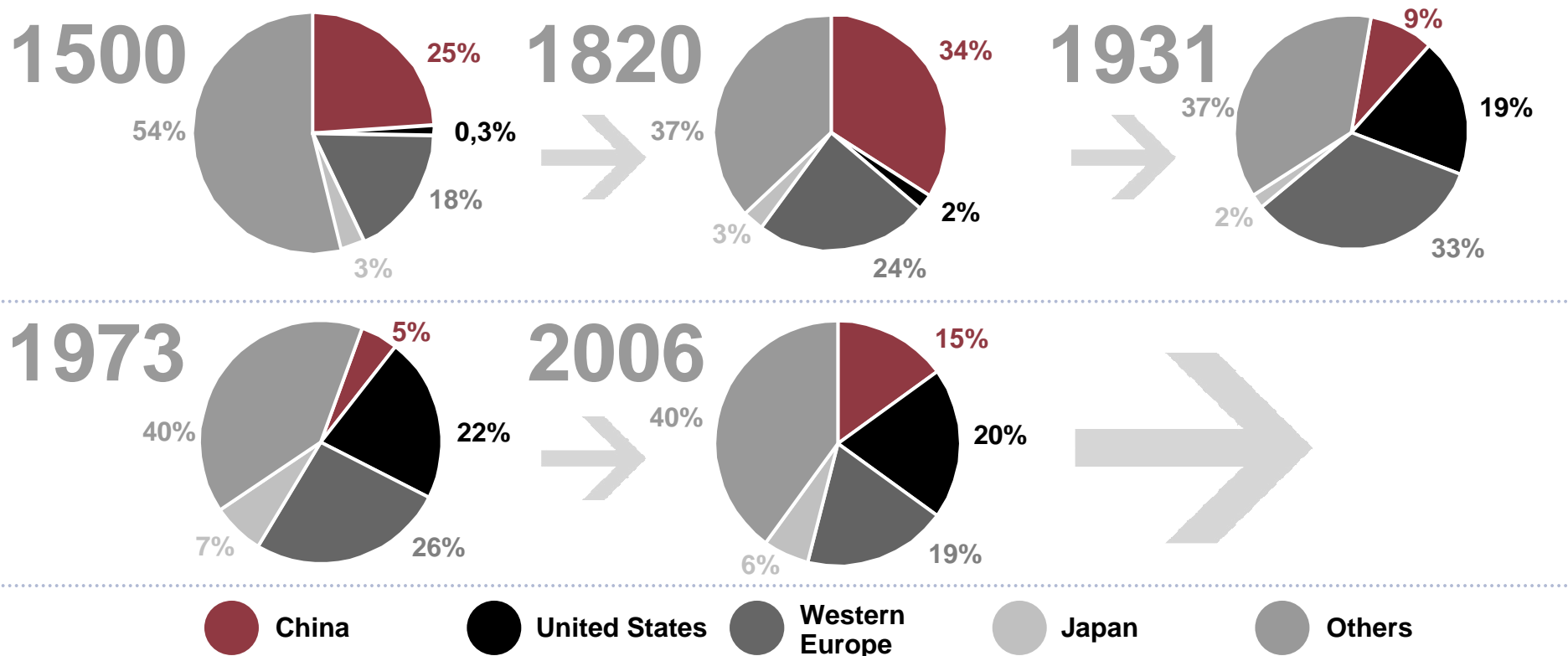
He is called "the architect" of a new brand of socialist thinking and opened China to foreign investment and the global market. Generally credited with advancing China into becoming one of the fastest growing economies in the world.



# China.

## On the Road to Once Again Being the Biggest Contributor to the World Economy.

GDP contribution of major countries to the global economy



China GDP contribution reached the highest level in 1820, however since then continued to decline to the historical lowest level in 1973.

Acceleration started again once China adopted the open door policy.

# China.

## China's Size and Opportunity Compared to Europe.



|                       | <b>China 2008</b>                  | <b>Europe 2008</b>                 |
|-----------------------|------------------------------------|------------------------------------|
| <b>Population</b>     | <b>1,328 million</b>               | <b>499,7 million</b>               |
| <b>Land surface</b>   | <b>9,60 million km<sup>2</sup></b> | <b>4,32 million km<sup>2</sup></b> |
| <b>Arable land</b>    | <b>12% (1.2 m km<sup>2</sup>)</b>  | <b>25% (1.08 m km<sup>2</sup>)</b> |
| <b>GDP</b>            | <b>USD 4,401 Bn</b>                | <b>USD 18,394 Bn</b>               |
| <b>GDP per capita</b> | <b>USD 3,315</b>                   | <b>USD 36,810</b>                  |

\*The data is based on 27 countries of EU Source: Eurostat, IMF, China population and development research center

# China.

## One Country, Three Economies.

The mainland is divided into eastern, central and western areas geographically and economically



**Eastern area, approx. 60% of national GDP**

Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan



**Central area, approx. 25% of national GDP**

Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, Hunan

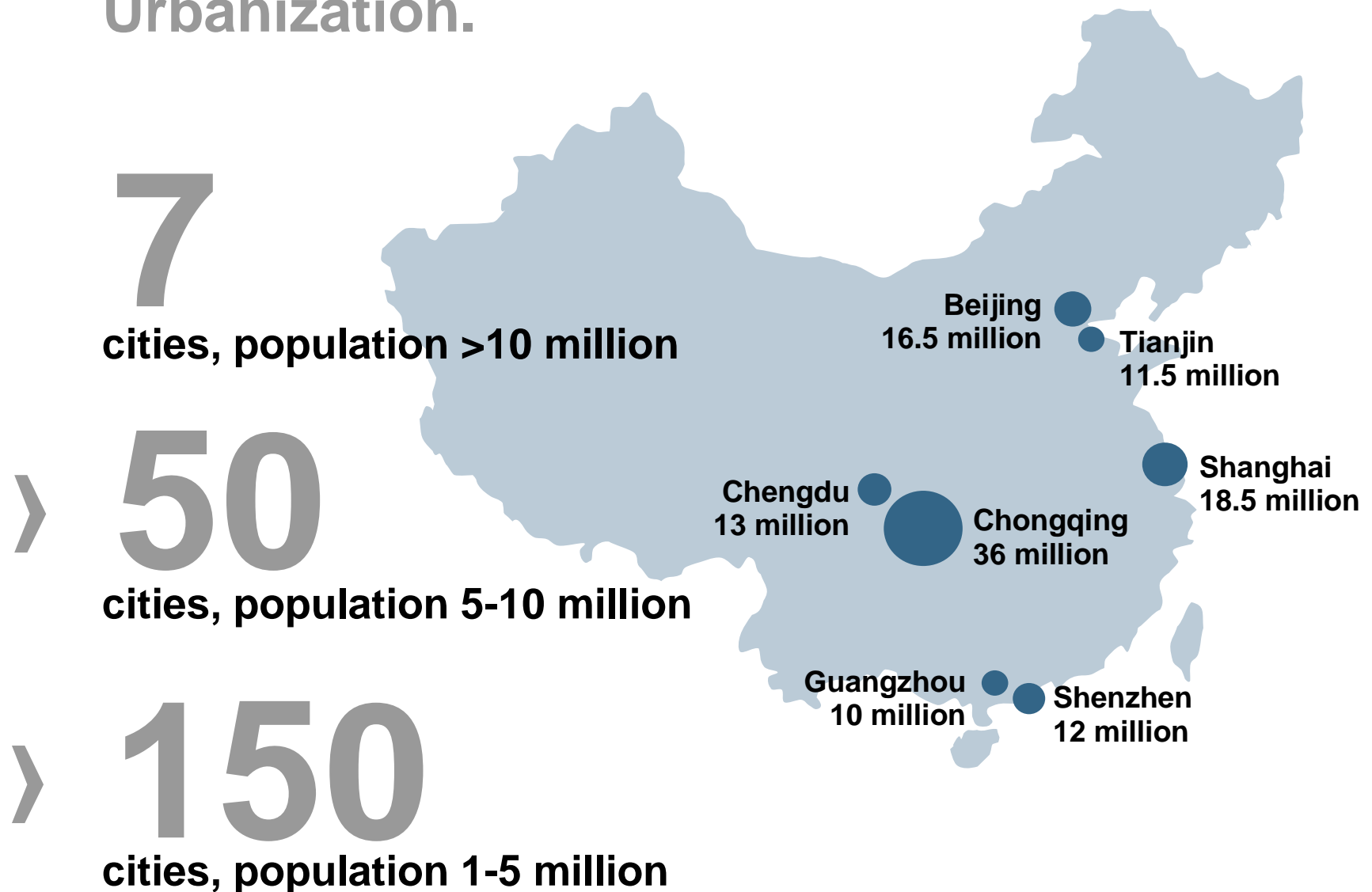


**Western area, approx. 15% of national GDP**

Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang

# China.

## Growing Cities Show Strong Trend Toward Urbanization.



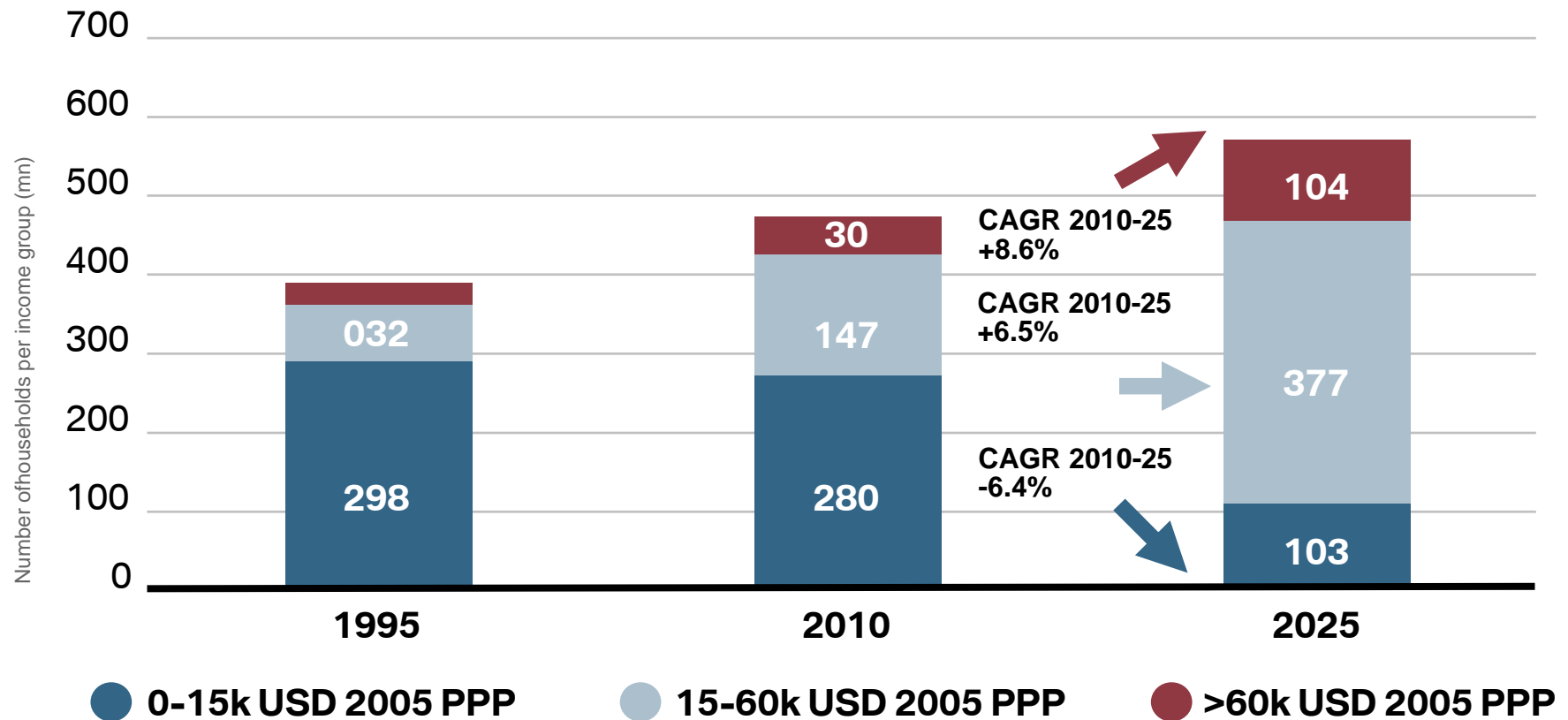
Source: China State Statistics Bureau



# China.

## Income Developments.

Until 2025 the number of households in premium relevant upper income groups will more than triple to over 100 mn and grow even faster than the middle class.



Source: Global Insight (data in real USD, price base 2005, purchasing power parity-adjusted), CAGR = Compound average annual growth rate

# China. Blooming Self-Confidence in Every Aspect.



# China.

## The Chinese Dream.



# **BMW in China.**

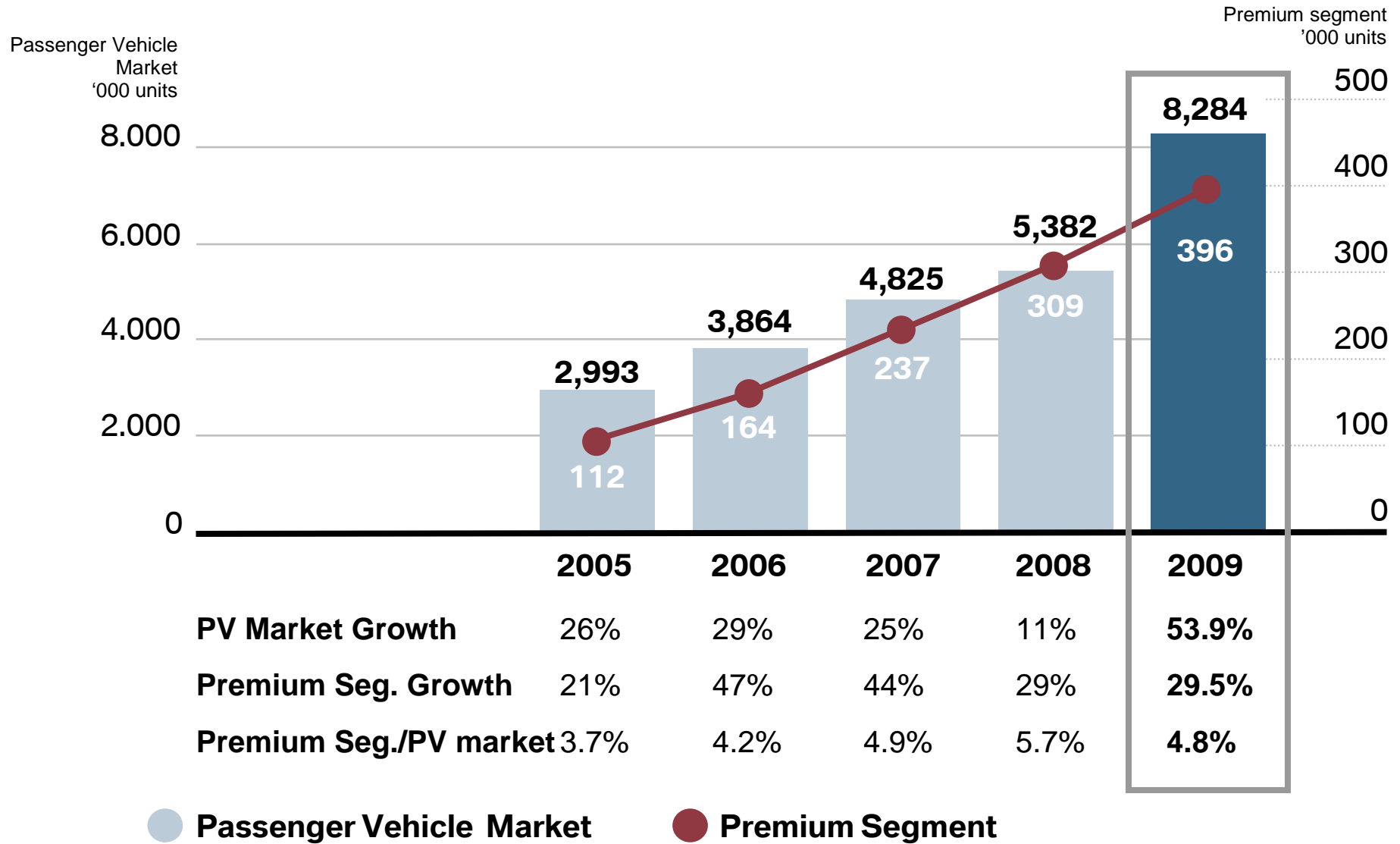
**Introduction to China.**

**Introduction to the Automotive Market in China.**

**Introduction to BMW in China.**

# China.

## Automotive Market Development.



Source: Registration data

# China.

## Auto Regulations and Policies.

**The government controls the auto industry via:**

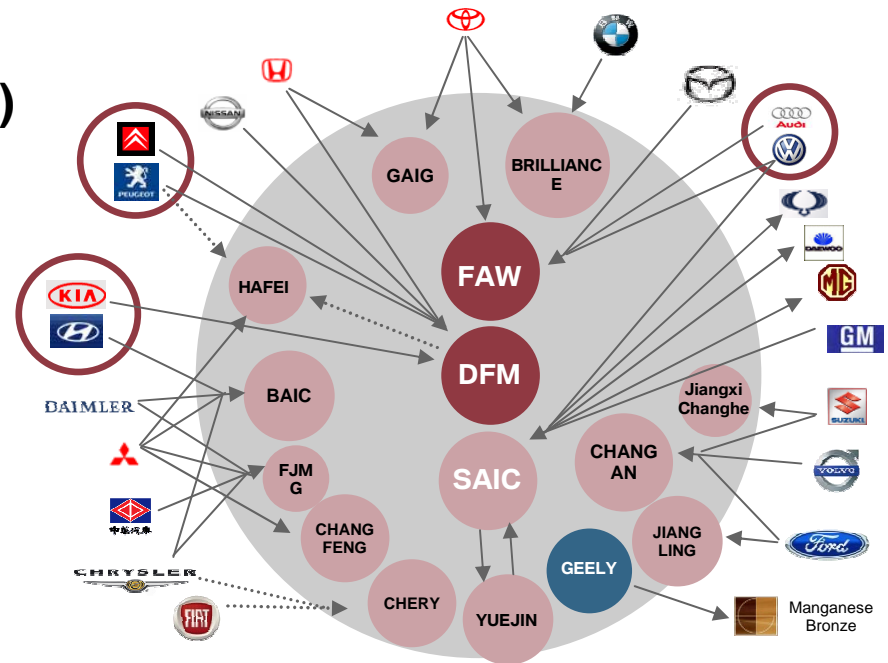
Limits on foreign shareholding (max. 50:50 and max. 2+2) and CBU market (NDRC benchmark of max. 5% of total market).

Changing policies and strictly controlled administrations (e.g. LC homologation, taxes, production and distribution licenses).

Direct involvement in business operations through state-owned enterprises and Chinese share of JVs.

**State-owned enterprises (SOEs)**

**>90%**  
of total market



# China.

Chinese Customers are Brand Conscience and Enjoy Owning Luxury Products.

Ordinary car “have / not have car”



Rigid demand

Luxury car “have / not have good car”



Elastic demand

Purchase motive for a luxury car is not to fulfill a basic and urgent demand it involves more emotional elements and therefore has more freedom in purchase behavior.

Demand for more safety/comfort

10%

To win trust of business partners

35%

To match with social status

25%

Affected by reference group

10%

Other reasons

15%



**The most important reason to purchase a luxury car is to show one's financial strength.**

Source: State Information Center

# China.

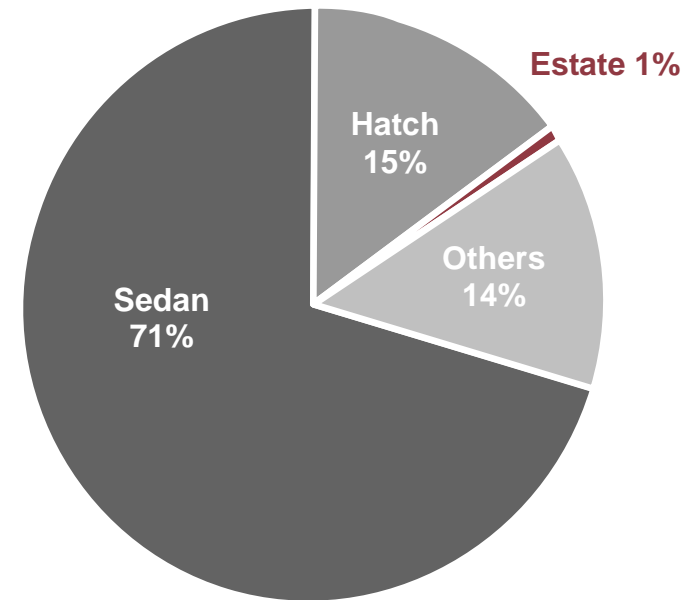
## The Spacious Sedan Fully Equipped is the Preferred Concept.



**BMW 5series L**



**BMW 7series L**



Concept shares 2008 in total market



**Rear seat Entertainment Systems**



**Car phones**



**Rear seats with massage function**



**Multimedia and Navigation Devices**



**Park Pilot and Park Assistants**



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# China.

## BMW Milestones.

|                                 |   |
|---------------------------------|---|
| <b>1994</b>                     | <b>Representative office</b>                                      |
| <b>1994 – 2002</b>              | <b>Sino-German transport projects</b>                             |
| <b>1998 – 2000</b>              | <b>Search for a joint venture partner</b>                         |
| <b>Nov. 2001 – 2003</b>         | <b>JV negotiations and approval process</b>                       |
| <b>May 23<sup>rd</sup> 2003</b> | <b>JV business license,<br/>BMW Brilliance Automotive (BBA)</b>   |
| <b>July 1<sup>st</sup> 2003</b> | <b>Appointment mgt. of JV company,<br/>start of JV operations</b> |
| <b>September 2003</b>           | <b>Start of JV production, Shenyang</b>                           |
| <b>October 2005</b>             | <b>National Sales Company, Beijing</b>                            |
| <b>Fall 2009</b>                | <b>Decision Greenfield in Tie Xi, Shenyang</b>                    |

# China.

## Brand Symbolism and Attractiveness.



**The high attractiveness of the brand in China is reflected by the translation of BMW:**

The Chinese translation is Bǎo Mǎ, which means Precious Horse. With this the brand has the highest brand positioning and value of all car brands.

寶馬



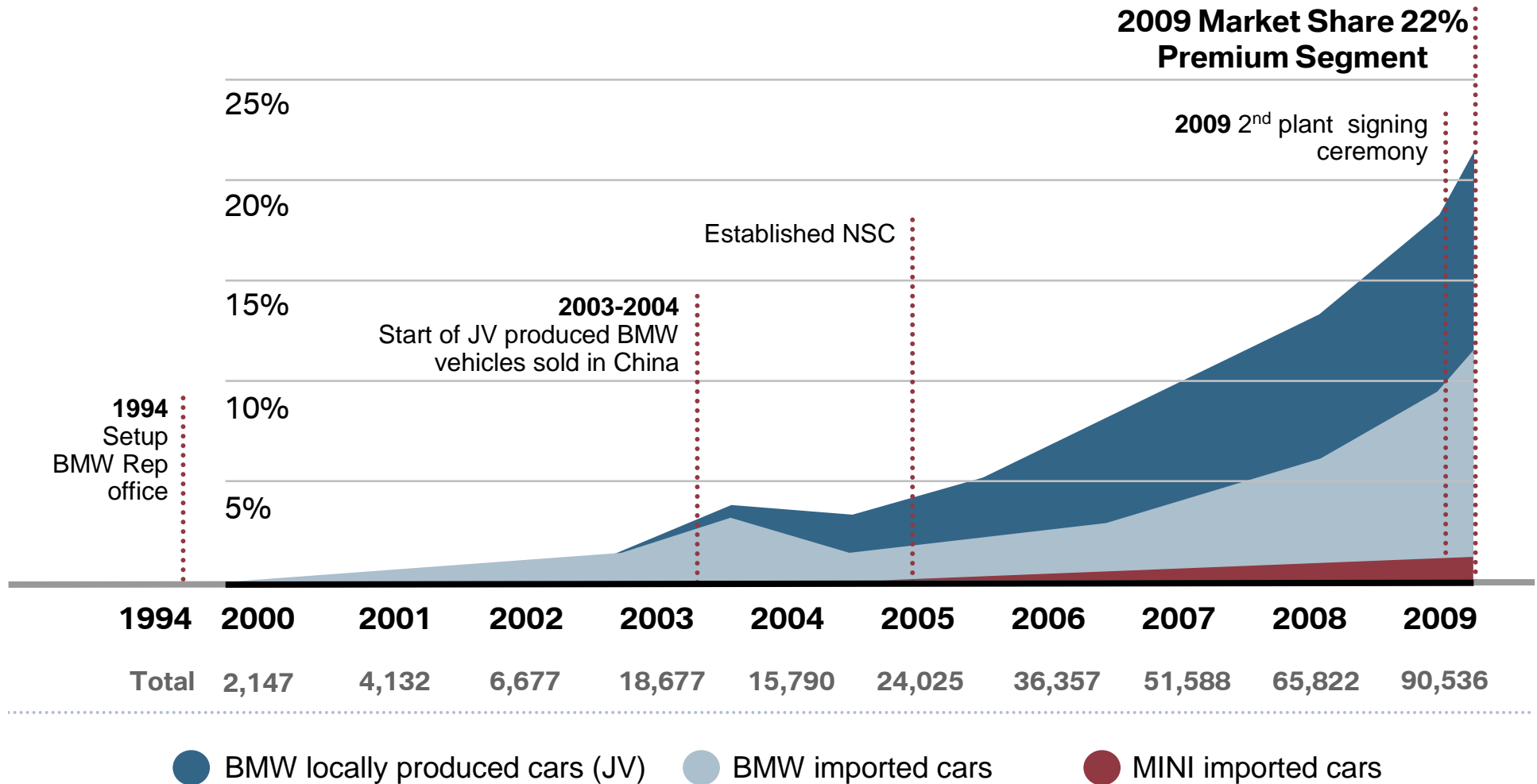
# China.

## BMW Main Locations.



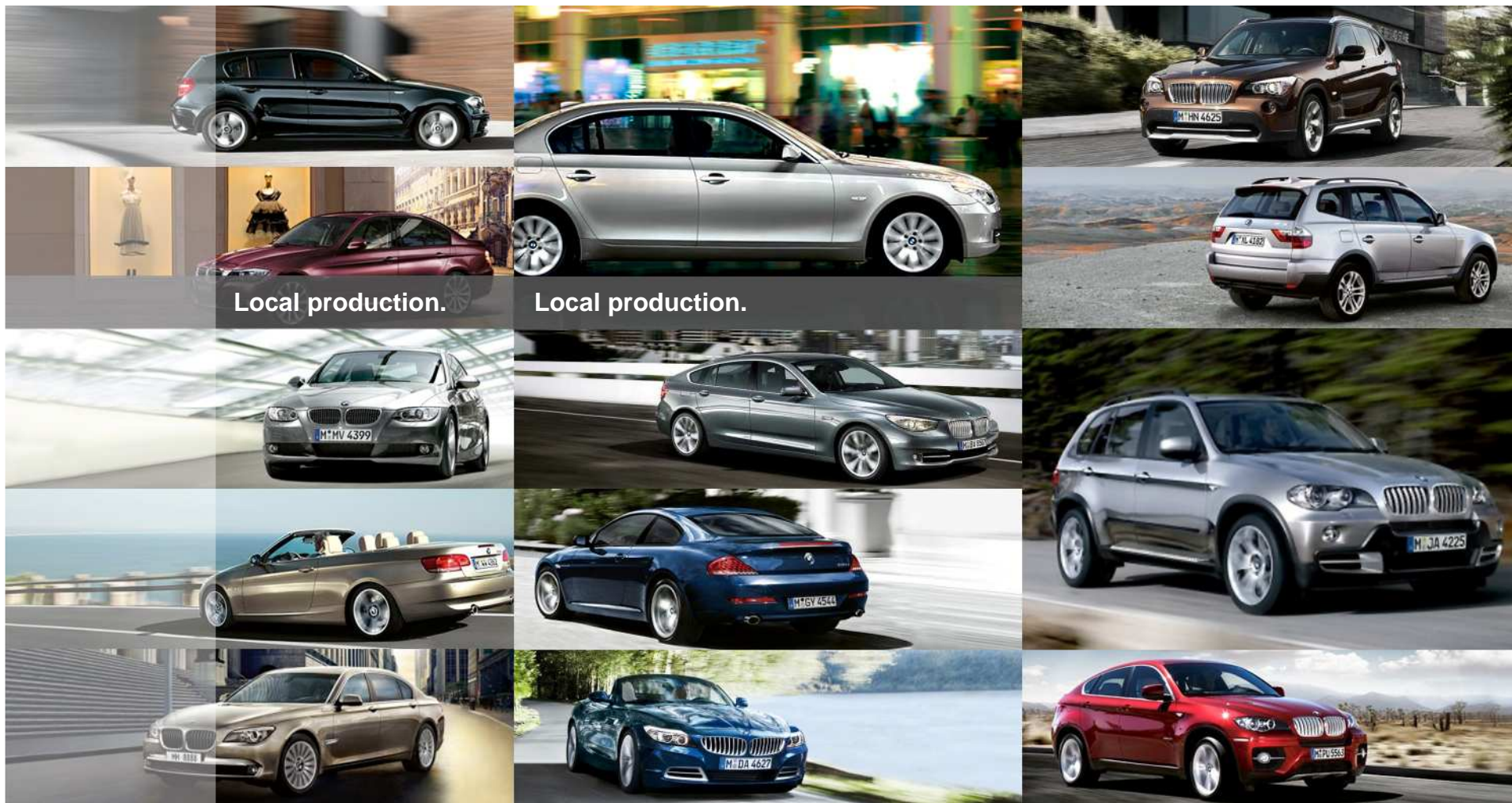
# China.

## BMW & MINI Volume Growth.



# China.

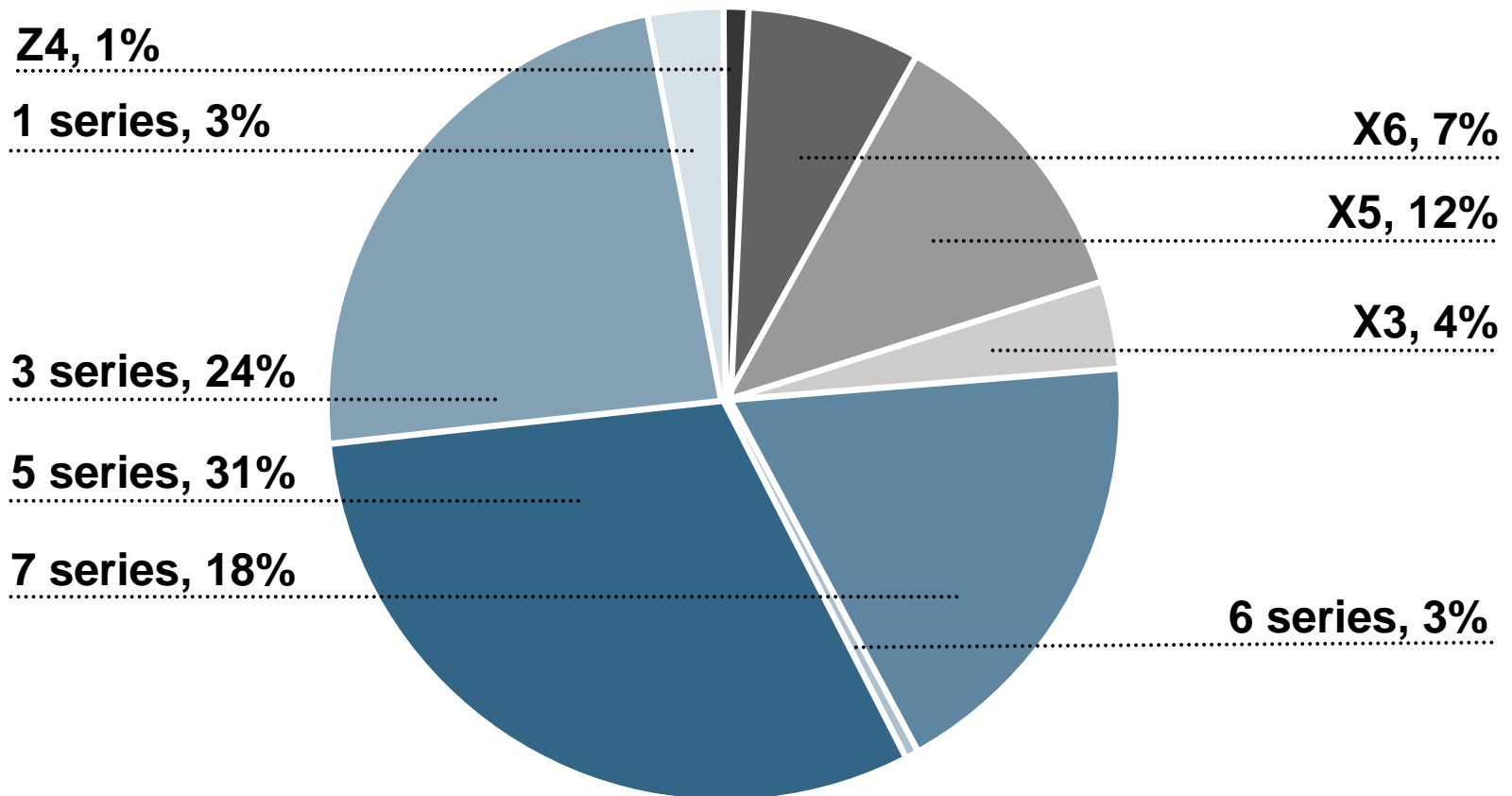
## BMW Model Offer.



# China.

## BMW Model Mix 2009.

New 7 Series achieved the No.1 position in its segment and China is now the biggest 7 series market for BMW. Chinese customers prefer large engines and cars which is reflected in the X5, X6 and 7 series sales.






  
 CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL
   
 中欧国际工商学院

## Modern Business Elite

### BMW Customers

- >China's New Business Elite: directors, managers, executives, company owners, CEOs
- >Age focus between 30 and 40 years, most have at least a 4-year university degree, often with masters and PhDs.
- >Philosophy of life: "Walk those roads that you never walked before, do things that you never knew you would do"!

**Important: Living their life to its fullest potential. Very rational, technocratic views.**



# **China.**

## **Financial Services.**

**Majority of vehicles are still bought without financing or leasing.**

- > penetration rate  
2009 was 7%**
- > roughly 7k units  
were financed in 2009**



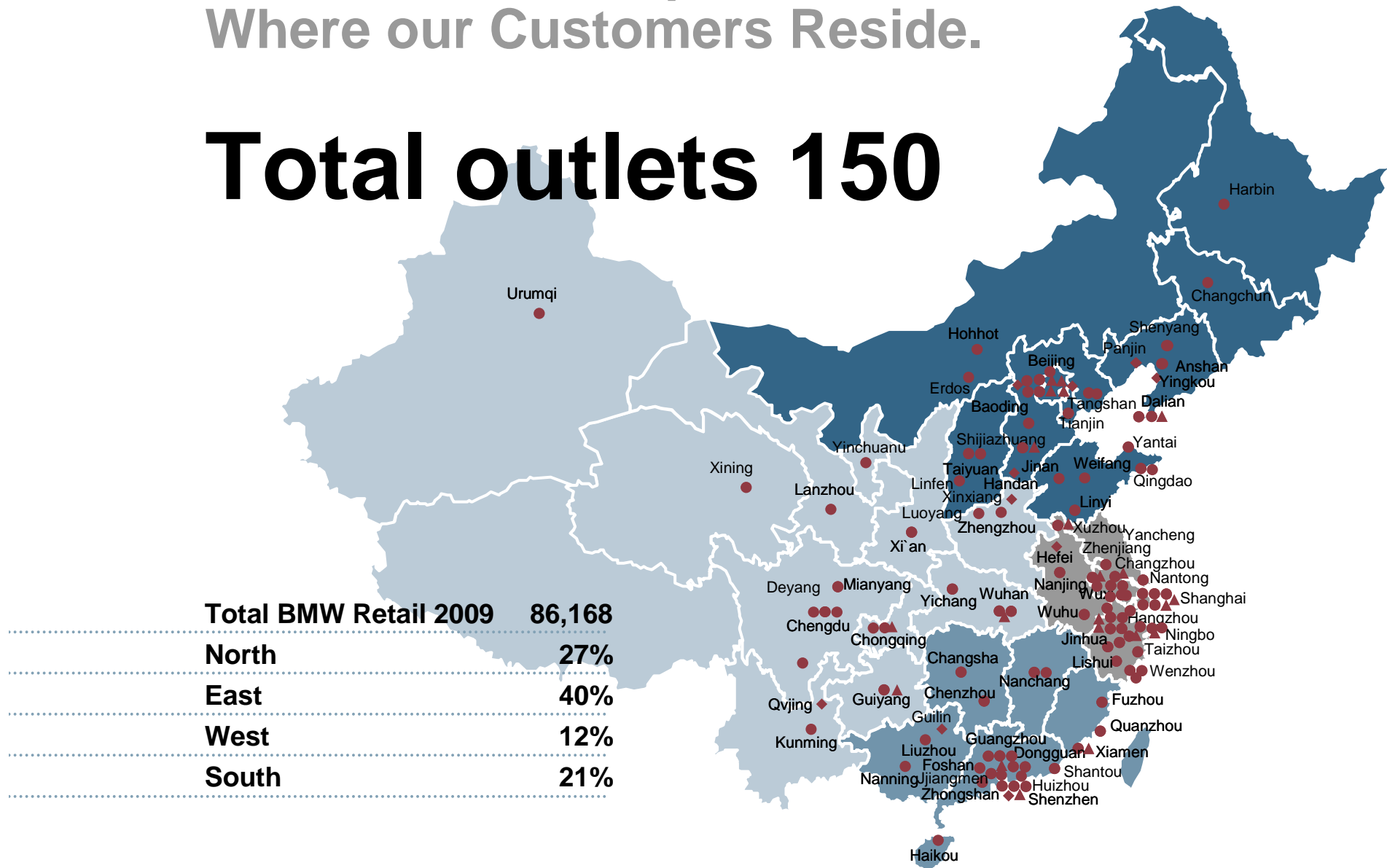
**Currently financing is offered via a cooperation partner.**

**Goal is to start own Financial Services Operations for wholesale and retail financing in 2010.**

# China.

BMW Outlets in Operation 2009 show  
Where our Customers Reside.

## Total outlets 150



# China.

Government Market is Imperative for Future Growth.



**Actual sales of 3 series and 5 series LWB to governmental officials, ministries and police.**

# China.

## Strong BMW Corporate Social Responsibility Strengthens the Brand Image.



BMW CSR activities



BMW WHF platform



# BMW Warm Heart Family.



BMW associates



BMW customers



BMW dealers

# China.

## BMW & Brilliance with Phase II Greenfield Plant Expansion in November 2009.

宝马汽车有限公司

Brilliance Automotive Ltd.



### 华晨宝马二期扩建项目签约仪式

### BMW Brilliance Phase II Expansion Signing Ceremony

人民大会堂, 北京

Great Hall of the People, Beijing

2009年11月12日

November 12, 2009



Construction work is to begin in 2010, with the start of production slated for early 2012.

Upon completion of the second plant there will be a total annual production capacity of 100,000 units. Around 1,000 further jobs will be added to the 3,300 existing jobs in Shenyang.

**BMW in China.**

**Thank you.**