



# BMW GROUP IN CHINA

**MR. KARSTEN ENGEL**  
**PRESIDENT & CEO BMW GROUP REGION CHINA**

JULY 09, 2014

**BMW**  
**GROUP**

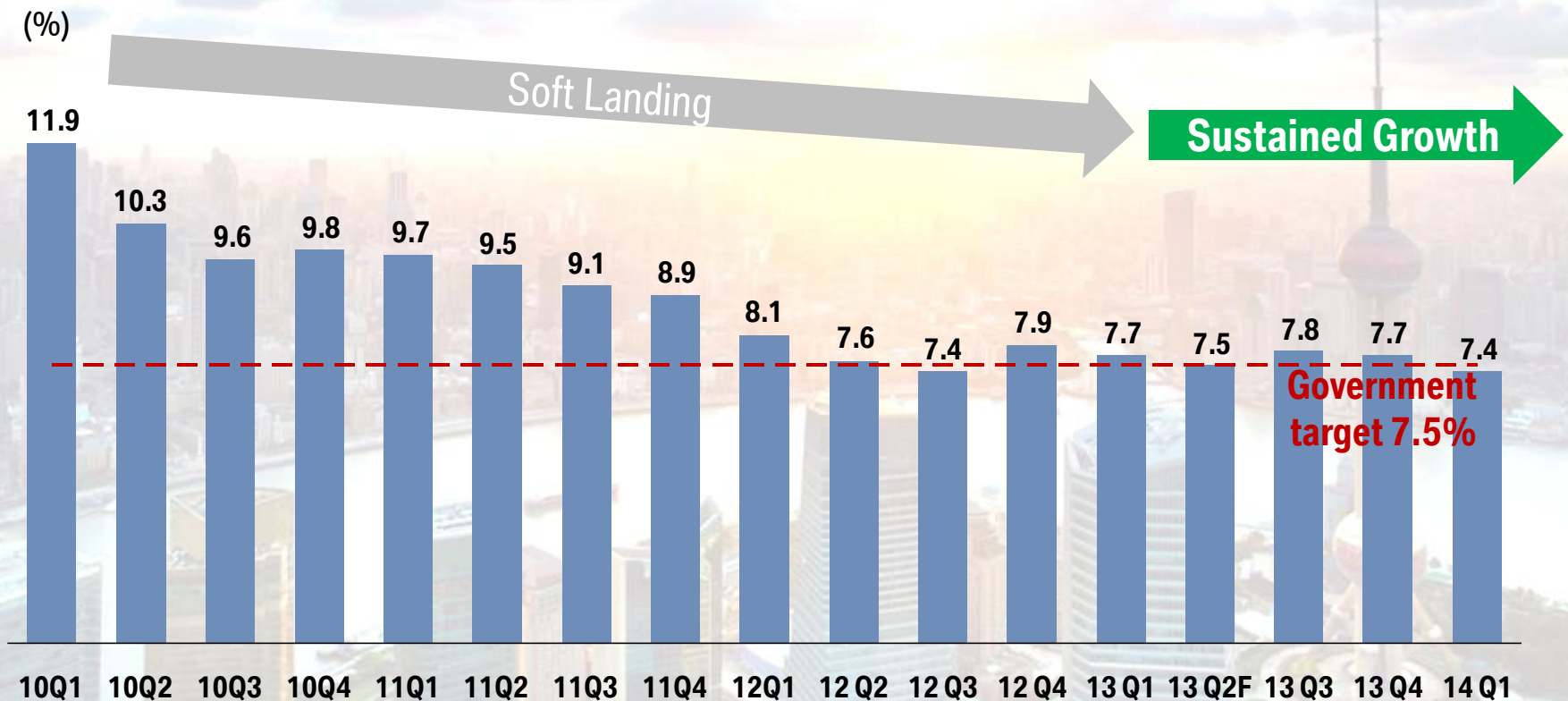


# CONTENTS.

- **Market Development and BMW Group China Status**
- **BMW Group “DNA for Success”**
- **Outlook**

# CHINA ECONOMIC GROWTH IS IN PROCESS OF AN ENGINEERED SOFT LANDING.

## China GDP growth (2010 ~ 2014Q1)



# THE URBANIZATION PROCESS WILL CREATE AN EVEN BIGGER CUSTOMER BASE FOR BOTH PASSENGER VEHICLE MARKET AND PREMIUM SEGMENT.



**310** million  
people urbanized



○ = population > 10 million

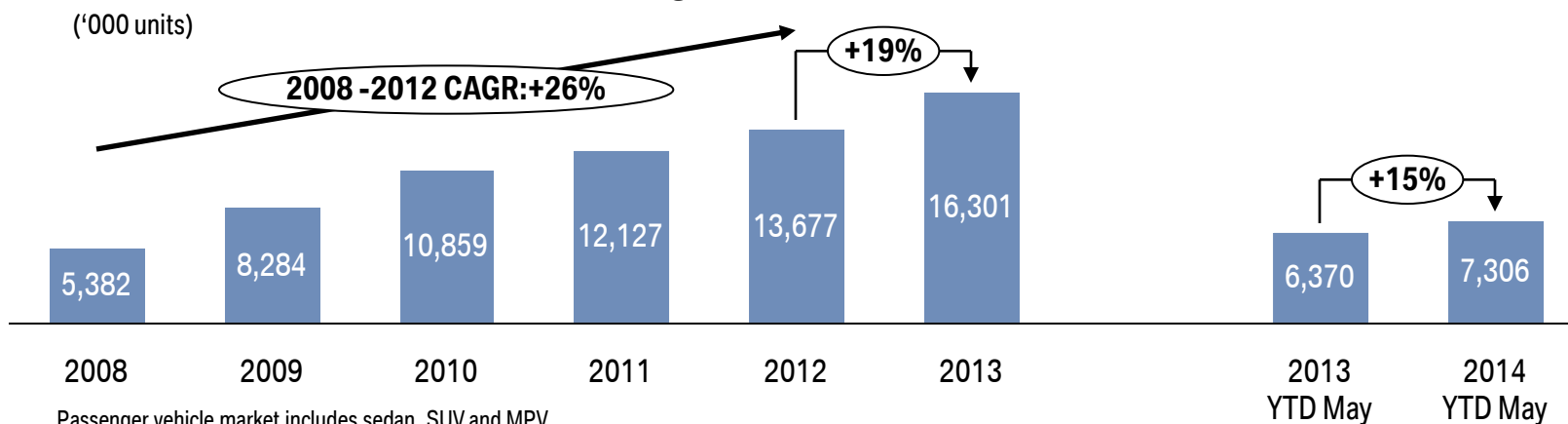
**310 million** people will be added to China's urban population **by the year 2030**, almost the same as population of the **United States** today.

## Urbanization is:

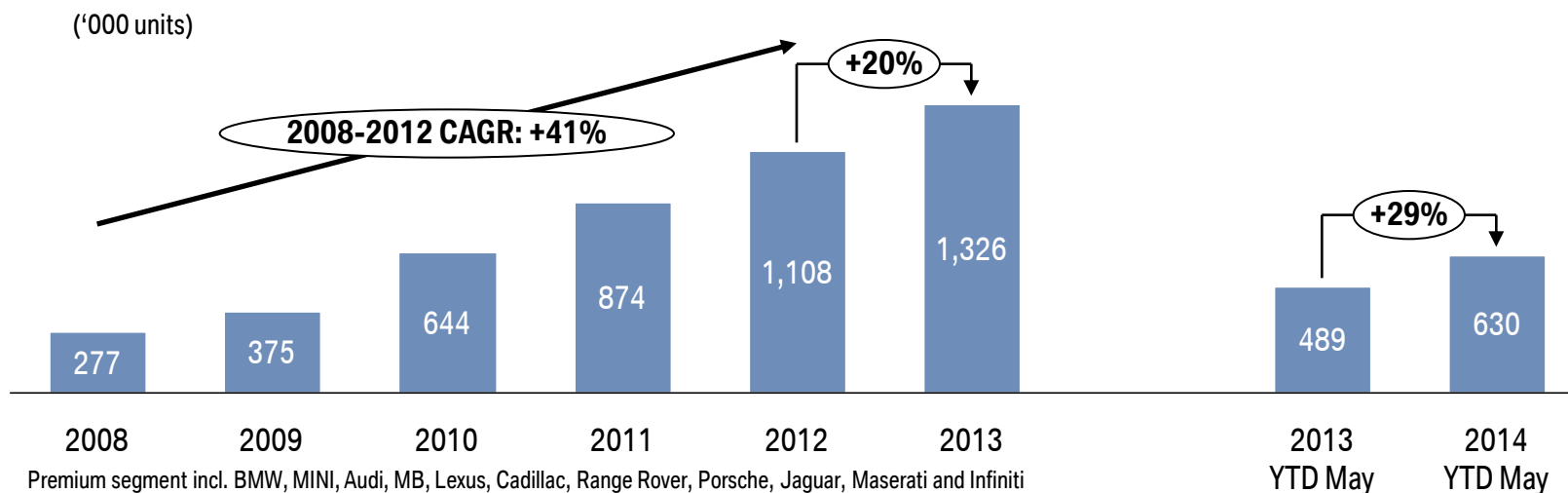
- Human-centered urbanization
- Environment friendly urbanization
- Strong engine for sustainable and healthy economic growth

# BOTH PASSENGER VEHICLE MARKET AND PREMIUM SEGMENT MAINTAIN HEALTHY GROWTH MOMENTUM IN 2014 YTD.

## Passenger vehicle market development



## Premium segment development



# BMW GROUP IN CHINA – FOUR LEGAL ENTITIES, ONE FACE TO THE CUSTOMER.

**Customer / Point of Sales/ Market**



**Dealers**

**BMW China Automotive  
Trading Ltd.**

National sales company

**BMW Brilliance  
Automotive**

Joint Venture

**BMW Automotive  
Finance (China)**

Financial Services

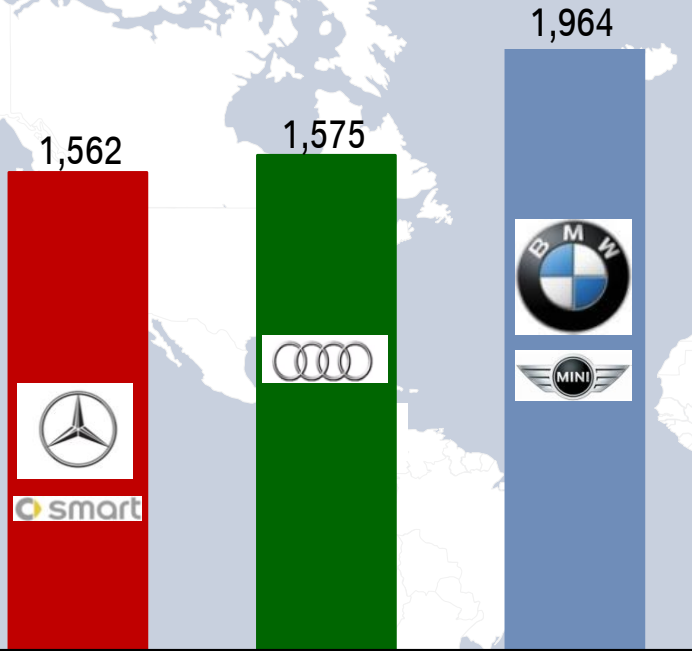
**BMW China Services Ltd.**

R&D and Purchasing

# CHINA OUTPERFORMS AS THE NO.1 MARKET FOR BMW WORLDWIDE.

## Global Sales Volume FY 2013

Units ('000)



## BMW Region Sales YTD May 2014

Units ('000)



**No. 1**

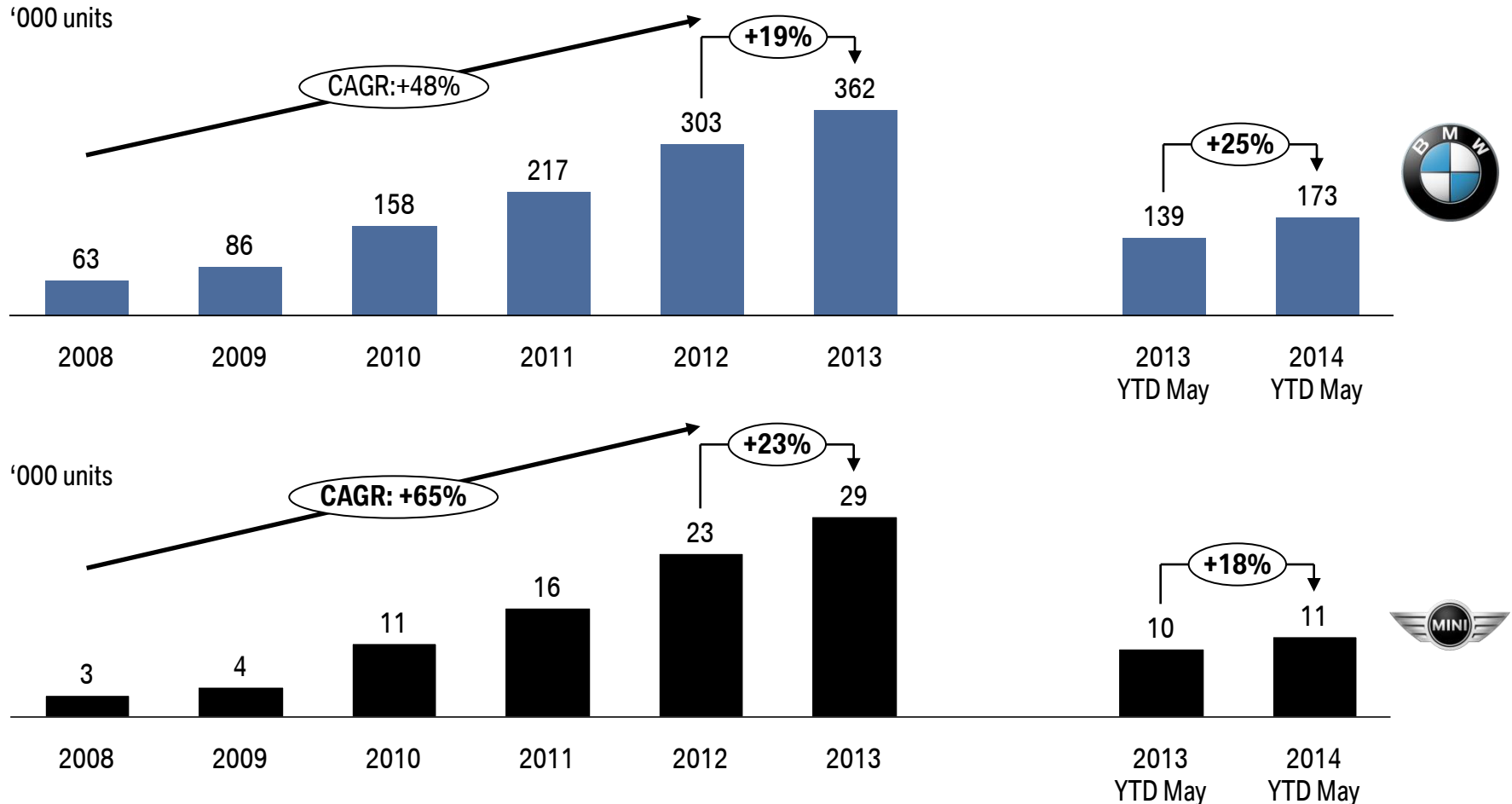
No. 2

No. 3

- Largest market for:**
- ✓ 7 Series
  - ✓ 5 Series Sedan
  - ✓ 5 Series GT
  - ✓ X6
  - ✓ X3
  - ✓ X1

# BMW AND MINI HAVE SHOWN STRONG GROWTH IN CHINA IN 2014 YTD.

## 2014 BMW and MINI sales monthly development





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# OUR DNA FOR SUCCESS: PRODUCT, BRAND, CUSTOMER, DEALERS, RESPONSIBILITY AND PEOPLE.



**Product**



**Brand**



**People**



**Customer**

**Social responsibility**

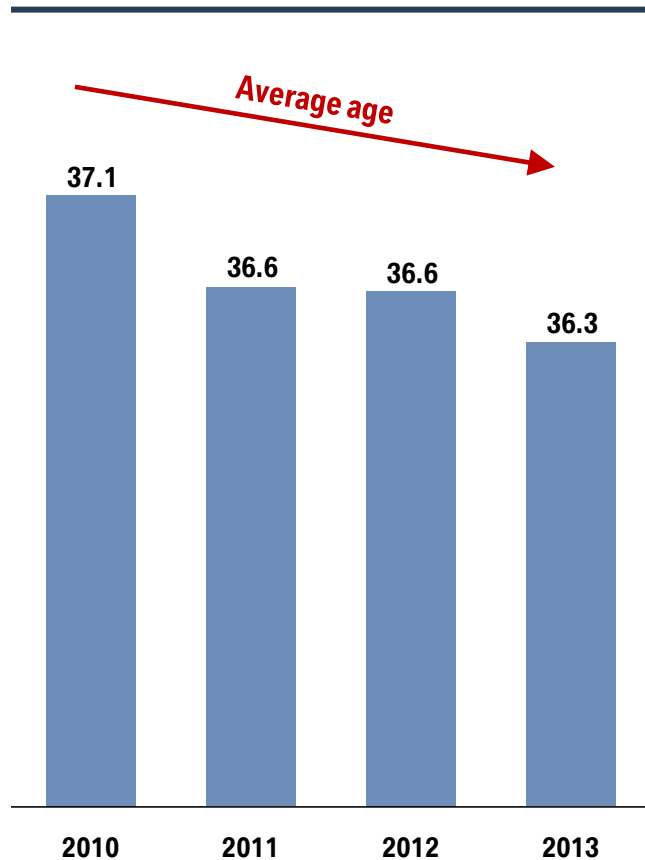


**Dealers**

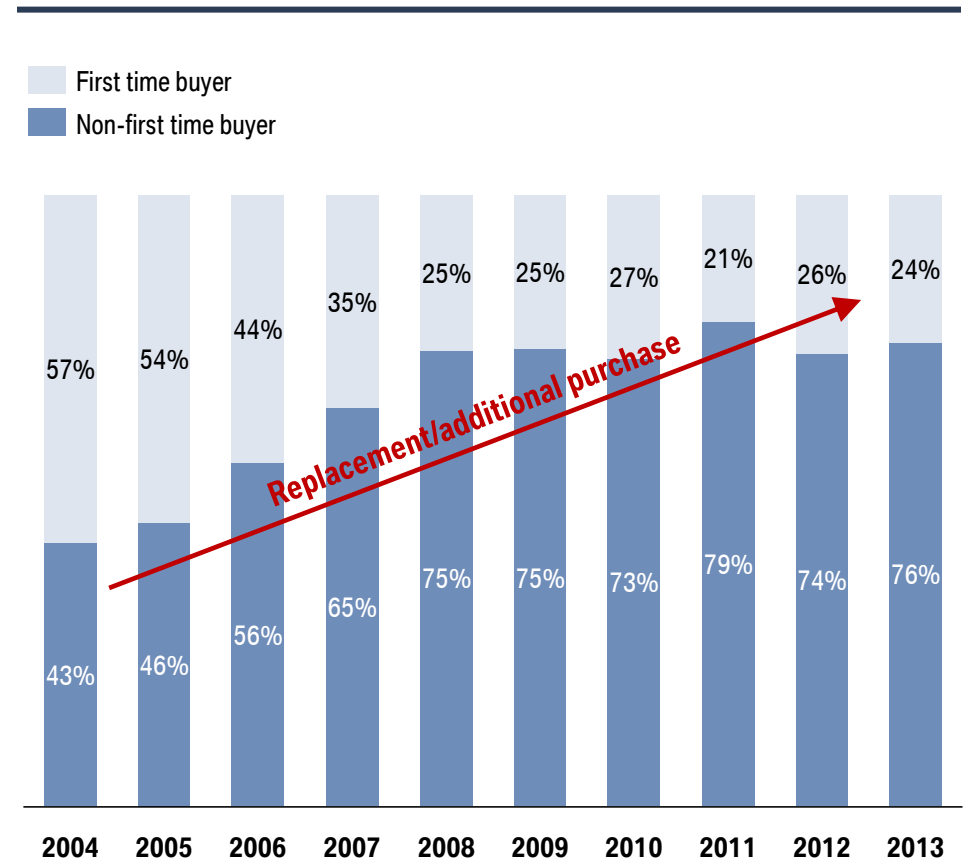


# YOUNGER GENERATION CONSUMER AND INCREASING UPGRADE/ADDITIONAL PURCHASE DEMAND OFFER NEW GROWTH OPPORTUNITY.

## Average age of premium new car buyers

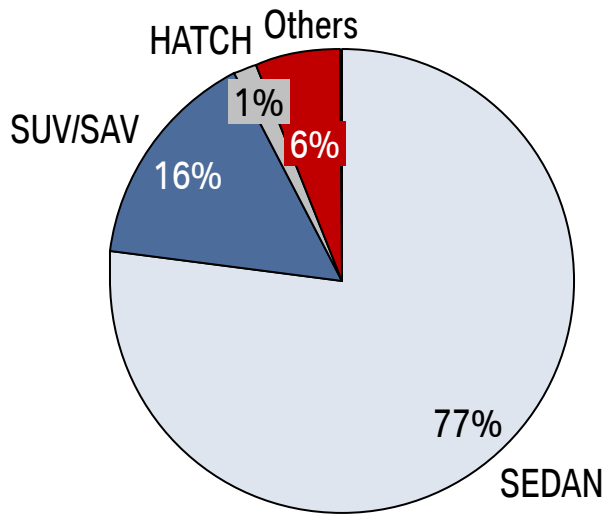


## First time vs. Non-first time premium car buyer

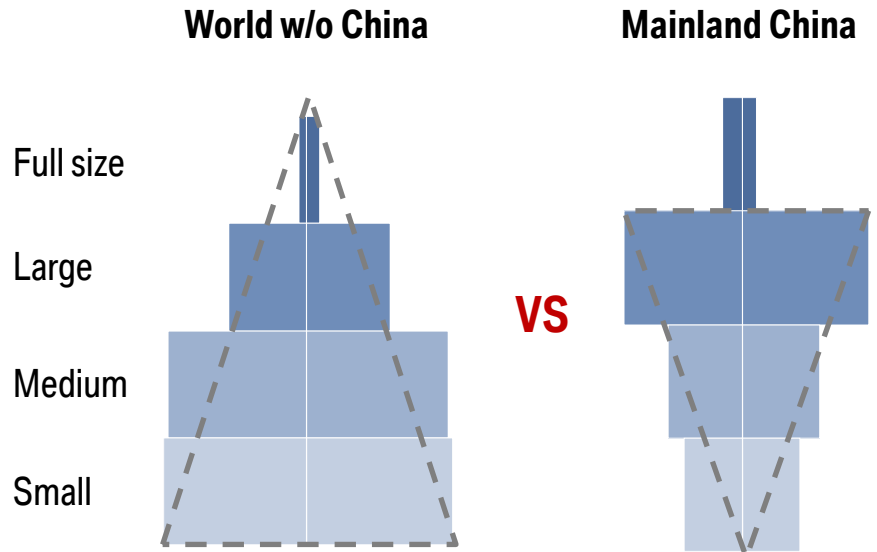


# SUV AND MORE INDIVIDUALIZED CONCEPTS WITH STRONG DEMAND. PREFERENCE FOR LARGER VEHICLE.

## Premium concept development in 2013



## Premium segment development in 2013



# BROADEST RANGE AND OPTIMAL PORTFOLIO MIX TO ADDRESS DIVERSIFIED NEEDS OF CHINESE CUSTOMER.

## Local production

## Sales contribution



2014 YTD MAY

**59%**

## Imported (BMW & MINI)



**41%**



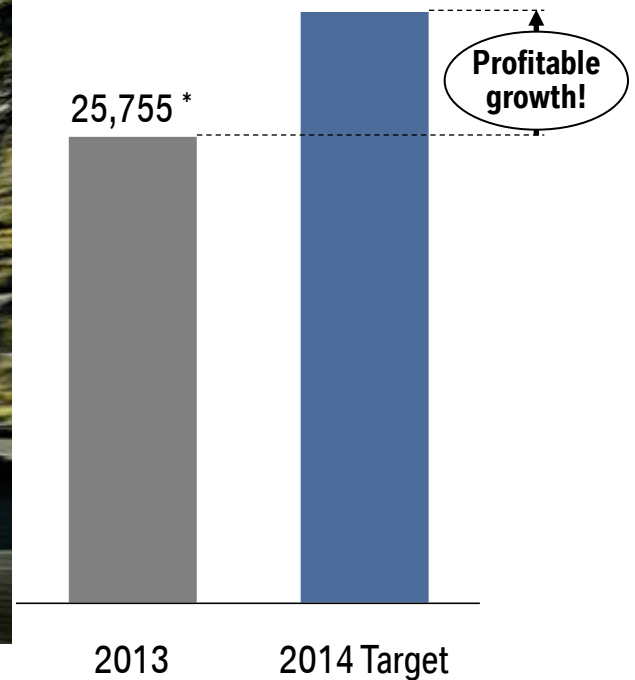
# OVER 10 NEW MODELS, CAPTURING NEW CUSTOMER GROUPS WITH 2 SERIES ACTIVE TOURER AND X4.



# FOUNDER OF SAV PRODUCTS. ALL-NEW X5 SUCCESSFUL LAUNCH WITH PROFITABLE VOLUME GROWTH.



**2014 X5 sales target**  
Units



\*Remark: Accounts for 7% of BMW China sales 2013.

# FUTURE PROVE WITH BMW i, JV NEV PRODUCTS AND ZINORO, SETTING BENCHMARK IN THE INDUSTRY.

BMW is ready to embrace the growth



BMW i



Imported PHEV



Locally produced NEV



ZINORO



Ground being laid for NEV market development

Improving Charging Infrastructure

Unified Charging Standards

Strong Gov. Support



# PRE-CONDITION OF BMW i DEALER- “ 5S” → THE 5TH “S” - SUSTAINABILITY.




**BMW i Network**

- Committed Investor
- Good Business Performance
- Excellent Facility
- Strong Willingness

**5S Network**

- Economic
- Environment
- Social

  
**BMW Network**

# MINI FAMILY: BIGGER, STRONGER. WHOLE NEW GENERATION MINI STARTS.

## MINI Hatch



## New 5 door Hatch MINI.



# STRONG PERFORMANCE OF BMW MOTORRAD IN A VERY PROMISING MOTORCYCLE MARKET ENVIRONMENT.



2013

2014

till 2020

4 models



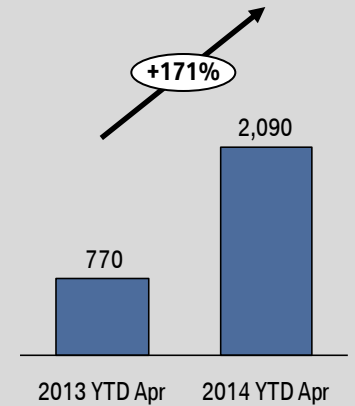
5 models



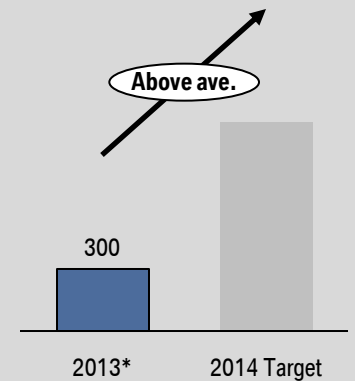
Approx. 20 add. models



Motorcycle imports in China (>500 c.c.)

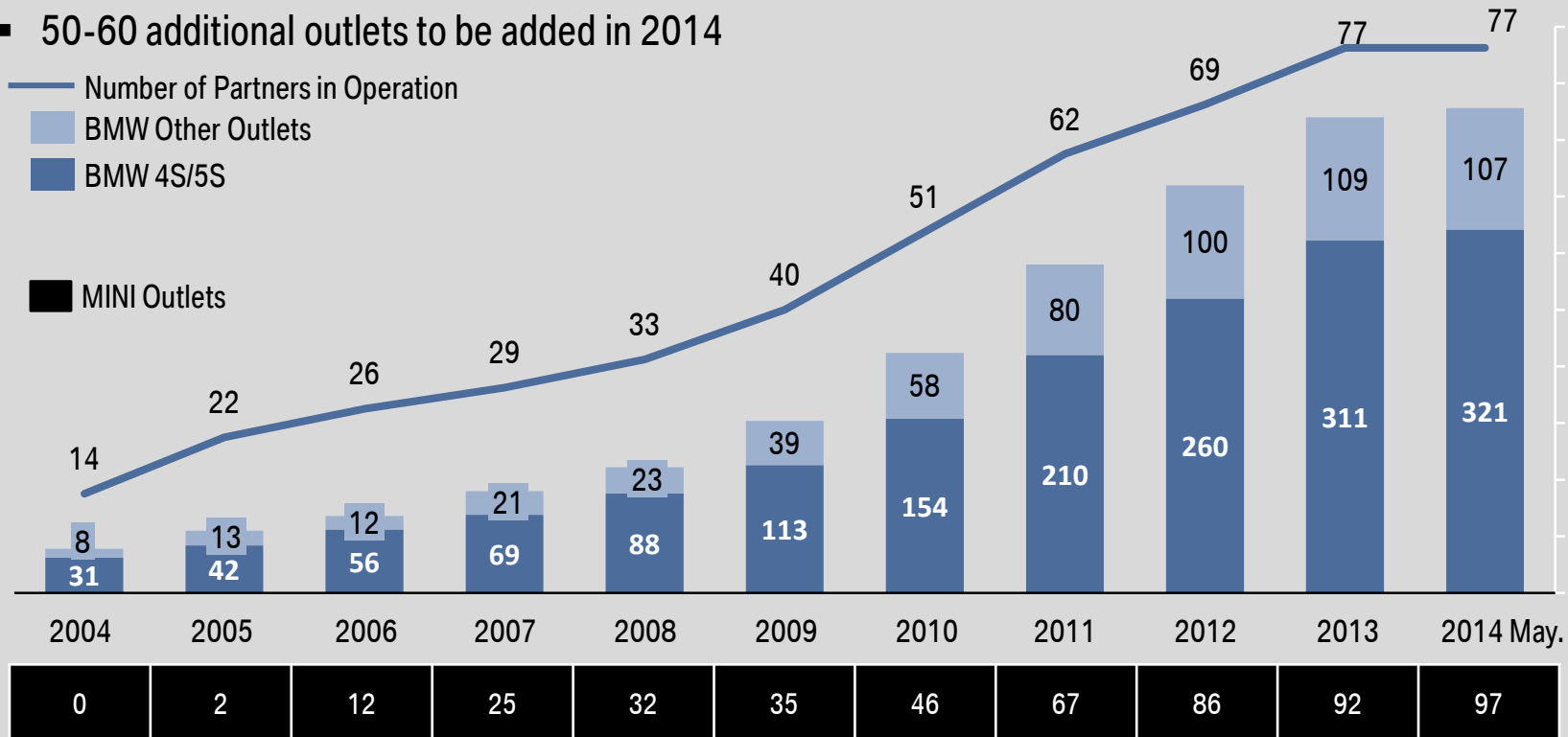


BMW Motorrad sales development

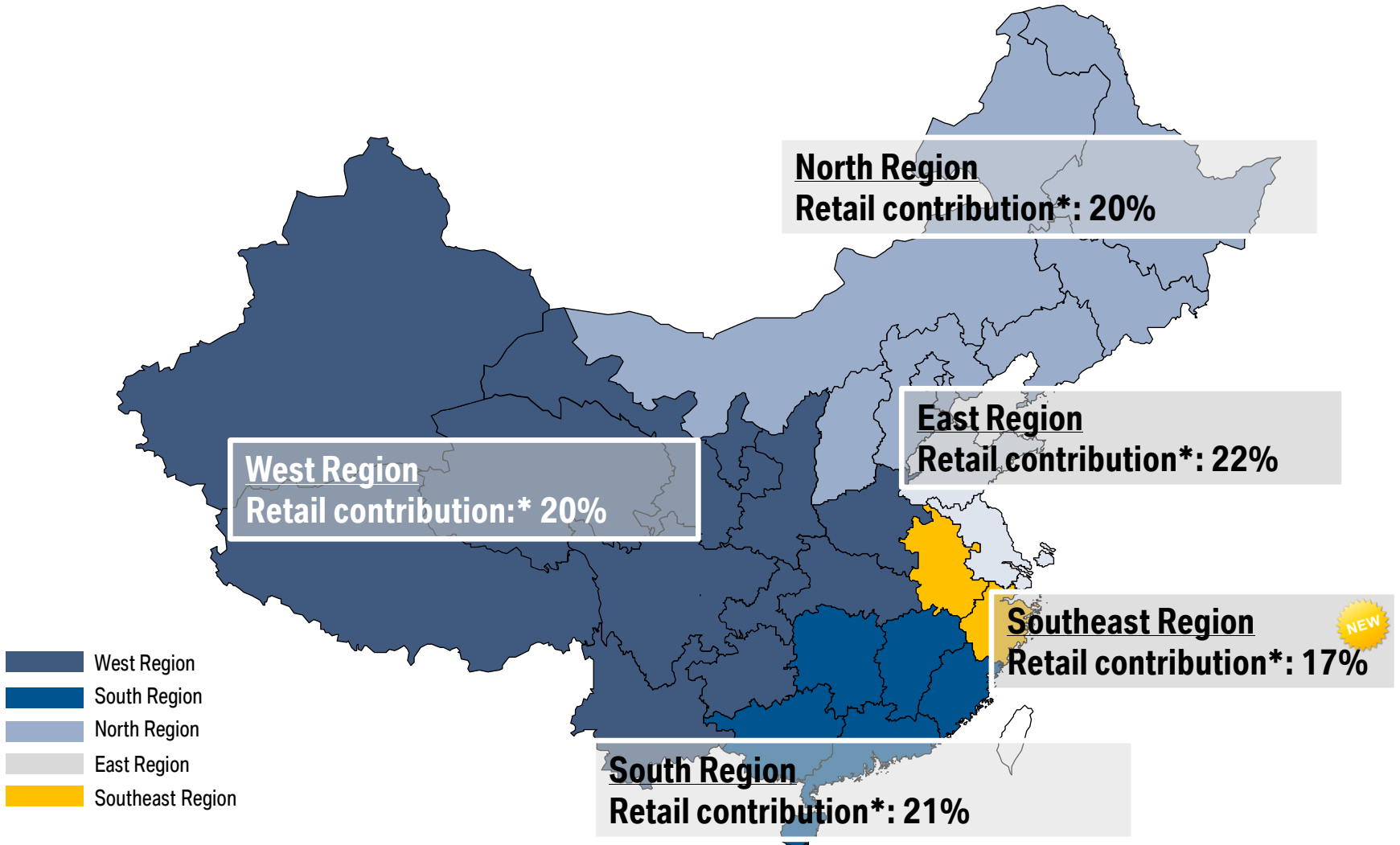


# STRONG EXTENSION OF RETAIL/SERVICE NETWORK TO BE CLOSE TO CUSTOMERS.

- **Highest variety of sales / service formats** among all premium OEM in China
- **BMW outlets 100% coverage in tier 1-3 cities** and the **most dense network in tier 4-5 cities**
- 50-60 additional outlets to be added in 2014



# NEW REGIONAL SETUP WILL IMPROVE DEALER MANAGEMENT AND SUPPORT OUR FUTURE GROWTH.



\*Remark: RT contribution is retail contribution as of May.31<sup>st</sup>,2014.

# FUTURE RETAIL FORMATS TO REACT WITH CHANGING CUSTOMER REQUIREMENTS.

## BMW Brand Experience Center

Opened Apr 15<sup>th</sup>, 2013



## MINI Brand Experience Center

Opened Sep 25<sup>th</sup>, 2013



# WARM HEART FUND 5-YEAR ANNIVERSARY: GROWTH INTO A COMPREHENSIVE CSR PLATFORM.

**-2008-**

**Establishment of WHF**



**-2009~2010-**

**Extension of activities**



**-2011~2013-**

**Comprehensive CSR Platform**



# MOST ATTRACTIVE EMPLOYER IN THE AUTOMOTIVE INDUSTRY IN CHINA.



- BMW China ranked No.3 in China Best Employer Award 2013.
- No.1 in automotive industry.
- No.1 in all foreign companies in China.

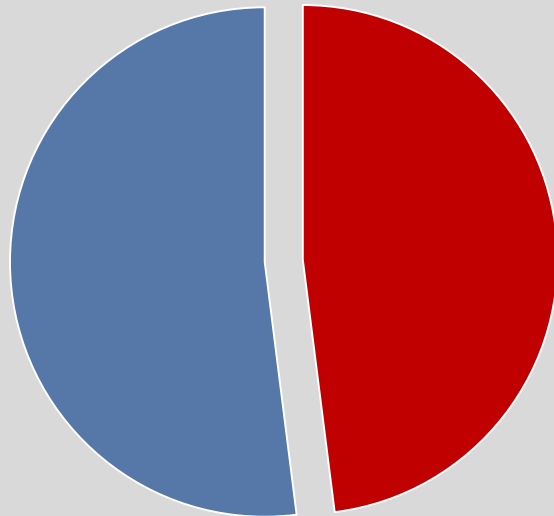


- BMW China ranked No.1 in automotive industry in China's TOP100 Ideal Employer.



# HIGH INVESTMENT IN TRAINING AND QUALIFICATION TO SCALE OPERATIONS.

## BMW dealer staff training days 2013



■ China    ■ Rest of world

- In 2013, the training days of China accounts for almost half of global total.
- Systematic **dealer staff training** is implemented to improve dealer performance.



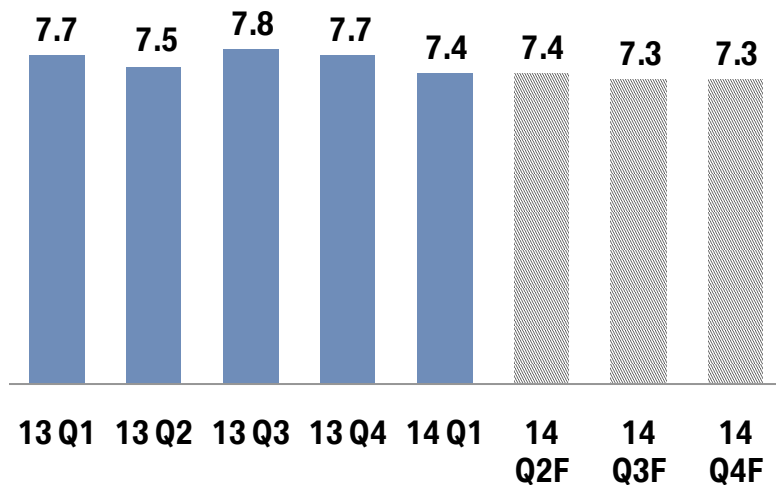
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# MOST PROBABLE SCENARIO IS AN ENGINEERED SOFT LANDING.

## Short-term: 2014

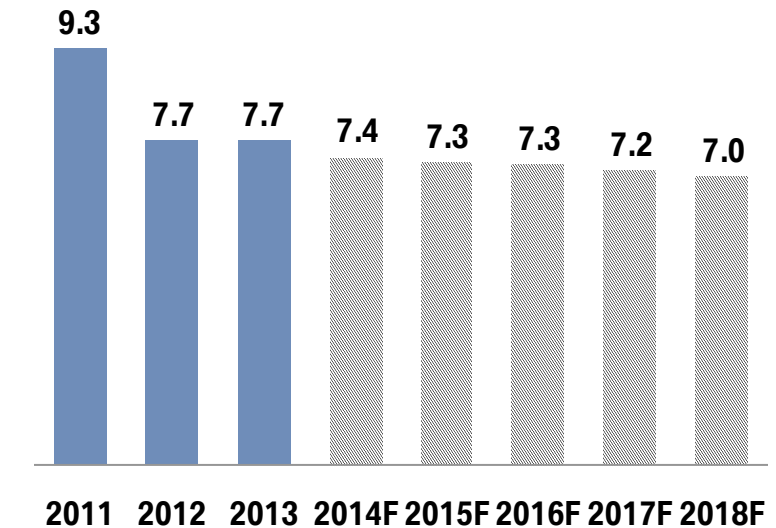
Real GDP growth (%)



- Government targets 7.5% growth of GDP in 2014
- Government maintains prudent monetary policy and proactive financial policy
- Reforms need breakthroughs
- Anti-corruption / frugality are further implemented by leadership

## Outlook: 2015 – 2018

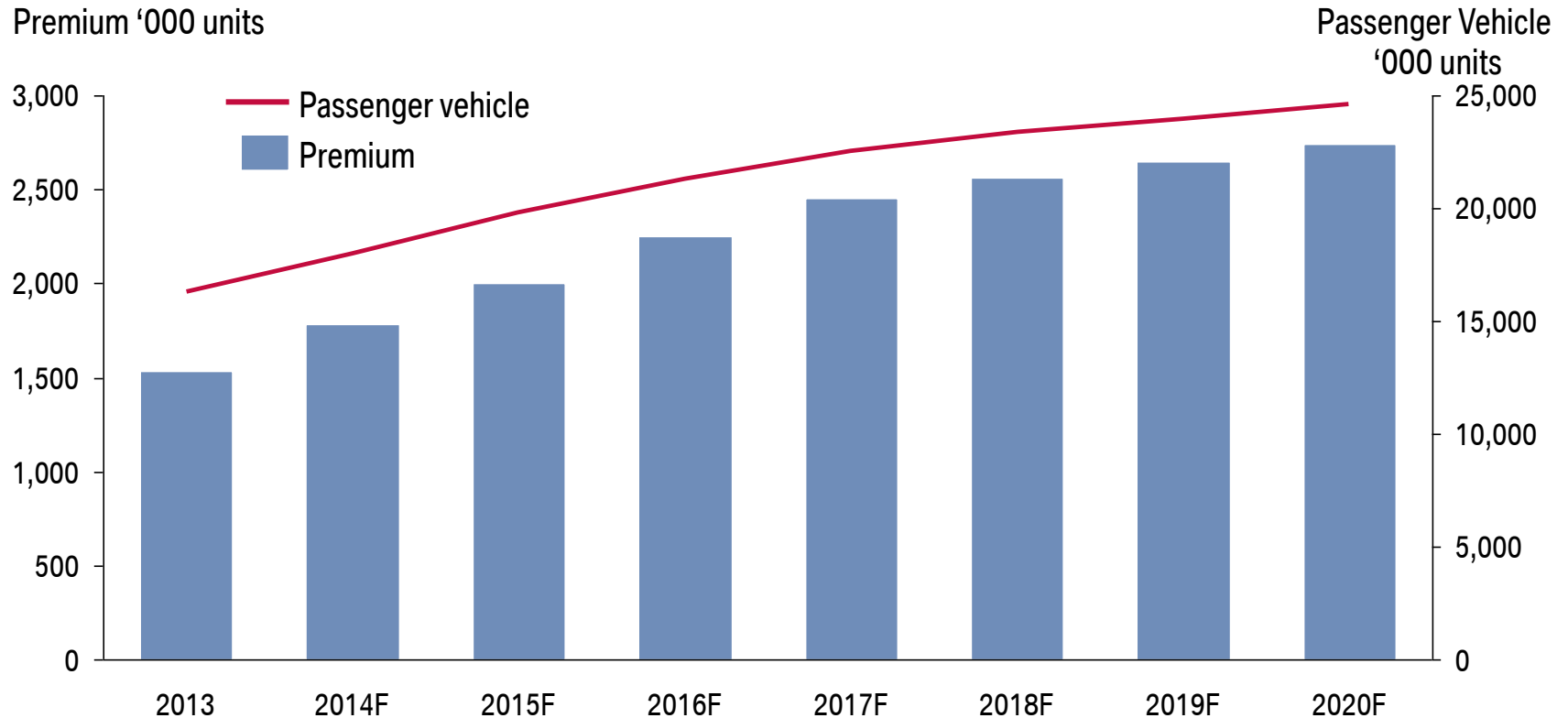
Real GDP growth (%)



- Moderate economic growth to rebalance economy from investment and external demand to domestic demand
- Reform financial system, income distribution, etc. to support consumption boom
- Government accepts slower growth in the future

# PREMIUM SEGMENT WILL OUTGROW PASSENGER VEHICLE MARKET WITH SUSTAINABLE GROWTH.

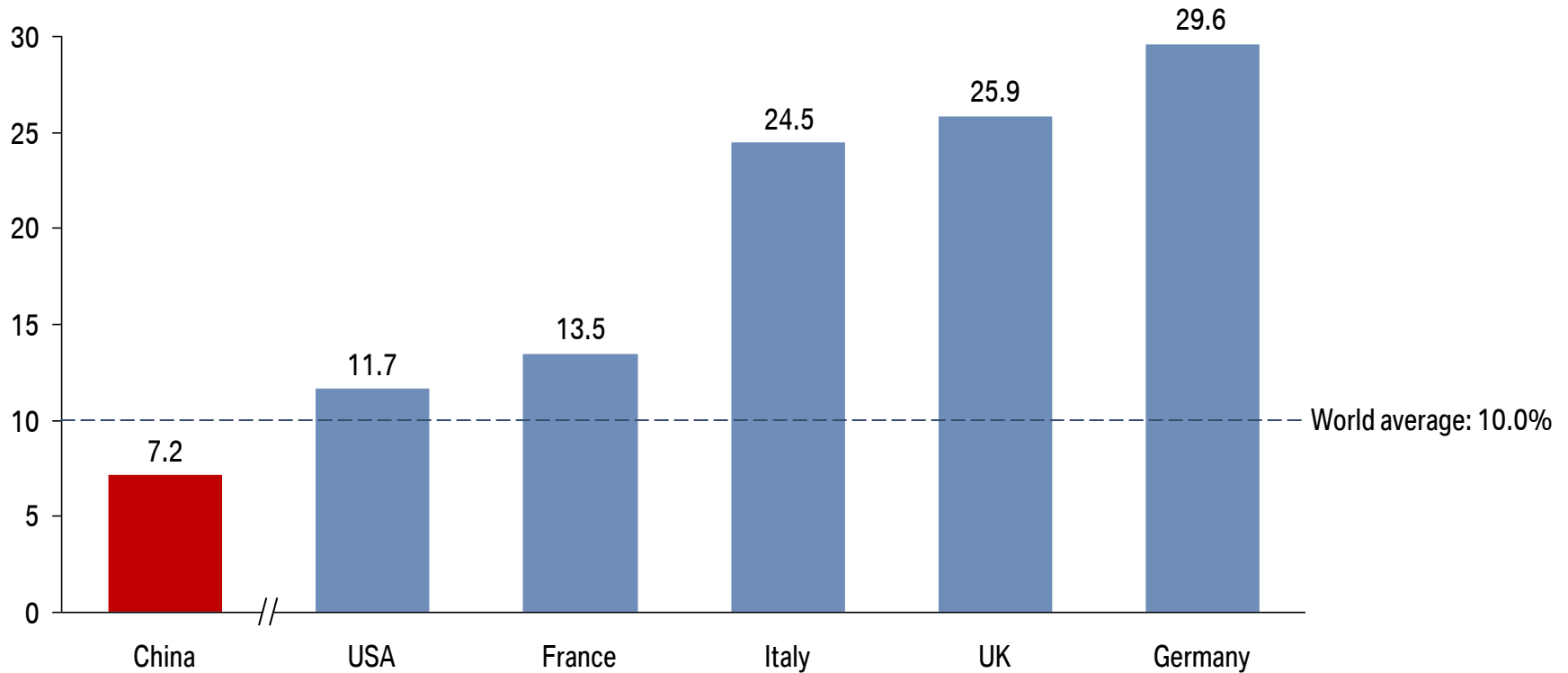
## MARKET OUTLOOK



CAGR 2013-2020: **Premium 8.7%** vs. **Passenger vehicle 6.0%**

# STILL LOW PENETRATION RATE IN CHINA COMPARED TO MATURE MARKETS.

Premium segment share of total market 2013.



# MORE REGULATED MARKET LAID THE FOUNDATION OF HEALTHY LONG TERM GROWTH.

## Latest regulatory development



### China R&D capacity improvement

- Local R&D and JV own brand requirement



### Energy efficiency and NEV aspiration

- Corporate average fuel consumption



### Traffic control & environment protection

- Traffic regulation in additional cities



### Consumer behavior guidance

- Possible new consumption tax and luxury car tax



### Market liberalization

- Possible removal of JV stake ratio limitation



- Zinoro
- Local R&D investment

- BMW i
- NEV local productions

- EfficientDynamics
- More environment-friendly models

- Diversified portfolio, more smaller cars

- Extension of JV contract with Brilliance

# WITH CURRENT ACTIVITIES WE ARE SETTING THE GROUND FOR OUR FUTURE.



# CONTINUATION OF EXPANDING PROFIT DRIVERS! AFTERSALES, USED CARS, FINANCIAL SERVICES, FLEET SALES.

## Aftersales



## Used Cars



## Financial Services



## Fleet Sales





# THESE KEY FACTORS WILL BRING SUCCESS IN 2014 AND THE FUTURE.

Expand product portfolio to better address Chinese consumer demand



Build up capacity and locally produce more models



Further strengthen brand premium and attractiveness



Achieve the highest customer satisfaction



Strong expansion of network and scale-up of quality



Commitment to society and environment



Continuously invest in people



Expand profit drivers: Aftersales, Used Cars, Fin. Services, Fleet Sales



# THE PROVEN “BMW MODEL” WILL ENSURE OUR CONTINUING BRIGHT FUTURE

