

2014_ China Auto Market Brand Research Report

In 2014, growth in sales of passenger cars in China fell to single-digit levels. First-time car buyers still account for the vast majority, but the proportion of replacement and expansion purchases is continuously rising with the growth in total sales volume. The consumption perceptions of returning consumers, whose needs are changing from simple transportation to diversification and individualization is more mature than that of the first-time buyers. During this process, brand can create culture around a product and make the products more useful in the pursuit of personalization.



In the process of brand promotion, both luxury and mainstream brands are focusing on differentiated brand value output. However, customer acceptance and recognition is the ultimate goal.

Based on this, Ipsos and Autohome have combined to research Autohome users and produce a brand research report, which will allow automotive brands know more about brand status and illuminate the advantages and disadvantages of their brands to effect business growth.

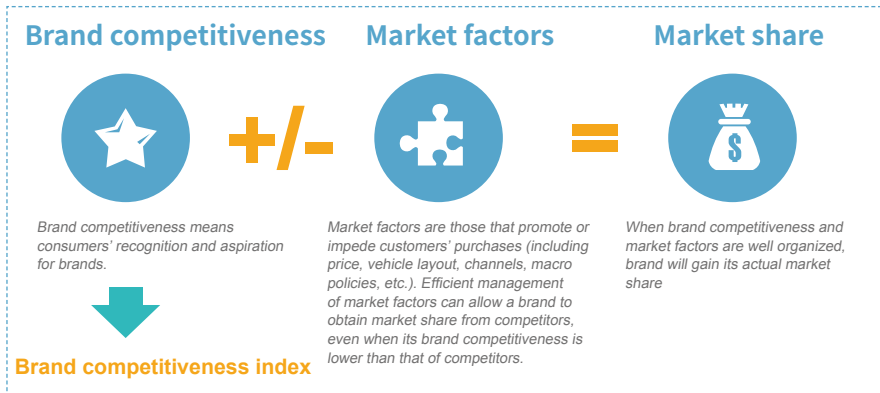
• An online survey was used in this project to collect brand opinions from users of Autohome and a world-renowned brand research model was used to build a brand competitiveness index. The project aims to offer advice for auto brands when facing China's market and providing a reference point for consumers.

• Ipsos Auto, China's biggest consulting company for the automotive market, and Autohome (research center), China's biggest vertical auto platform, have joined hands to gain real industry data through online research and provide the most authoritative figures and in-depth market insight.

2014 Brand Research Report of China's Auto Market

What is brand competitiveness?

We believe that real brand market share depends on brand competitiveness and market factors, in which brand competitiveness reflects consumers' recognition and desire to purchase specific brands. The brand competitiveness index measures how popular a brand is compared to other brands, and how much consumers recognize and desire to purchase that brand.



Research data of brand competitiveness:

In calculating the competitiveness index, we chose 53 auto brands (including luxury brands, local brands, and mainstream overseas brands) from many to few in the Chinese market according to their distribution from January to October 2014. The registered volume of those brands exceeds 90% of market share, so they can be considered to represent the whole Chinese market. Meanwhile, we distributed a questionnaire to 3198 respondents and, based on the representation of samples, we added a weighted value to the real registered volume to guarantee a more accurate sampling distribution of the Chinese market.

Next, we will use the categories luxury brands, mainstream overseas brands, and local brands to analyze the detailed performance of brand competitiveness, market share, and other aspects for each brand. Let's first look at the brand competitiveness index of luxury brands.

Top ten competitiveness index - luxury brands

As China recently became the largest car market in the world, the competition among luxury brands in the Chinese market has become more intense. With the continuous growth in sales volume, China's market is increasingly important.

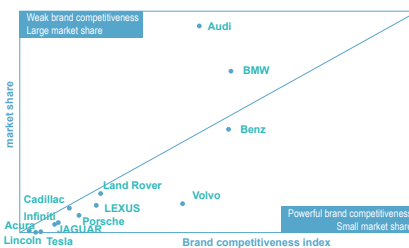
According to the research of Autohome and Ipsos, the survey results of the competitiveness index for luxury brands is as follows:

Brand	Ranking	Brand competitiveness index
BMW	1	18.6
Mercedes-Benz	2	18.4
Audi	3	15.8
Volvo	4	14.3
Land Rover	5	7.0
LEXUS	6	6.6
Porsche	7	5.1
Cadillac	8	4.2
Infiniti	9	3.2
JAGUAR	10	3.0

The survey on domestic consumers shows that, the traditional first tier brands of BMW, Mercedes-Benz, and Audi rank top three in luxury brand competitiveness. The main reason is that BMW and Mercedes-Benz were the first to enter China's market and are familiar to consumers as luxury vehicles. The images of BMW and Mercedes-Benz are enduring. Audi was the first luxury brand to improve its brand competitiveness through product abundance, which contributed to the improvement in its brand competitiveness. As we can see, the gaps in brand competitiveness index for the other luxury brands are small, but a large gap exists between the first tier "BBA" and the other brands.

As for market share, the brand competitiveness of Mercedes-Benz is not completely reflected in market share within the first tier. Although the competitiveness of Audi is similar to Mercedes-Benz and BMW, its market share is larger. This situation is due to Audi's market penetration in the 3rd and 4th tier cities and market factors like channel layout and vehicle update of Mercedes-Benz.

Contrast of brand competitiveness and market share



Note: The vertical axis represents percentage of sales volume of a brand in industry-recognized market segment; horizontal axis represents data sources of brand competitiveness index in market segment: auto brand research and study of Autohome, registered volume from January to November 2014, Ipsos's analysis

· Top ten brand competitiveness index mainstream - overseas brands

Many automakers of mainstream overseas brands are globally renowned. The brands are separated to four regions: Europe, America, Japan and Korea. In the domestic market, the competition is intense among global major manufacturers. According to our survey, the ranking of brand competitiveness index for mainstream overseas brands is as follows:

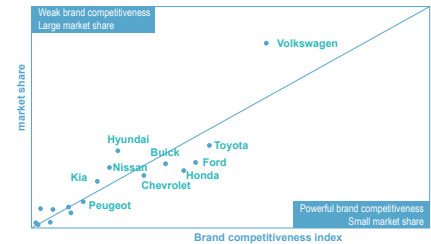
Brand	Ranking	Brand competitiveness index
Volkswagen	1	17.6
Toyota	2	13.0
Ford	3	12.0
Honda	4	11.0
Buick	5	9.3
Chevrolet	6	7.5
Hyundai	7	5.4
Nissan	8	4.8
Kia	9	4.2
Peugeot	10	3.8

The survey shows that Volkswagen, Toyota, and Ford are the top three in mainstream brand competitiveness index. In general, overseas brands face intense competition. Compared to the luxury brands and China's local brands, the quantity of overseas brands is larger and the gap in brand competitiveness is smaller. The brand competitiveness of European Volkswagen leads among these overseas brands, with Japanese Toyota and Honda, and American Ford, Buick, and Chevrolet also performing well.

Concerning market share, the overall brand competitiveness of European Volkswagen is highest, but its brand competitiveness could still be improved. The brand competitiveness of Toyota and Honda is not completely reflected in market share. European Volkswagen falls in the category of having weak brand competitiveness but market share is high. For the American

brands, the brand competitiveness of Ford is not completely reflected in its market share, while Buick and Chevrolet are more balanced. Korean Hyundai and Kia also fall in the category of having weak brand competitiveness but high market share.

Contrast of brand competitiveness and market share



Note: The vertical axis represents percentage of sales volume of a brand in industry-recognized market segment; the horizontal axis represents data sources of brand competitiveness index in market segment; auto brand research and study of Autohome, registered volume from January to November 2014, Ipsos's analysis.

· Top ten brand competitiveness - mainstream domestic brands

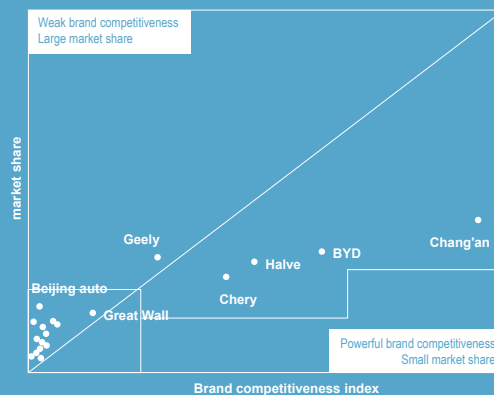
Recently, with the development of China's auto market, local brands have been developing rapidly. From the early cheap small cars to the current miniature, compact, mid-sized, large and various SUV models, Chinese brands are no longer manufacturing simple cars, but developing higher standards and paying more attention to quality. The survey results for brand competitiveness among local mainstream brands are as follows:

Brand	Ranking	Brand competitiveness index
Chang'an	1	28.4
BYD	2	18.6
Haval	3	14.3
Chery	4	12.5
Geely	5	8.2
Great Wall	6	4.1
JAC	7	1.9
Besturn	8	1.6
FAW	9	1.2
Roewe	10	1.1

Mainstream domestic brands compete in a highly concentrated market. Among those brands, Chang'an, BYD, Haval, Chery and Geely hold a safe lead.

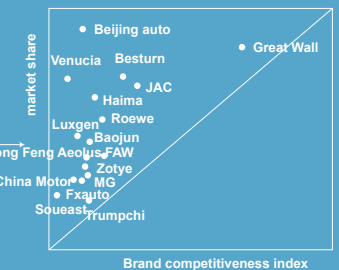
Considering market share, Chang'an, BYD, Haval, and Chery are in the category of having strong brand competitiveness but low market share. In the brand competitiveness and market share view, Chang'an, Haval and Chery have stronger brand competitiveness.

Contrast of brand competitiveness and market share



Analysis

From market share division, Chang'an, BYD, Haval and Chery have strong brand competitiveness



* Vertical axis: Percentage of the brand sales in detailed market segment; Horizontal axis: brand competitiveness index in detailed market segment
Data source: Autohome vehicles brand research, Vehicle registration from Jan.- Dec. 2014, Ipsos Analysis

2014 brand image report of China auto market

To understand the brand image of different brands in consumers' minds, we listed 10 key words for respondents to match with each brand. We also choose the top three in brand competitiveness index of three dimensions to form a detailed description.

· Images of luxury brands with top three competitiveness index rankings

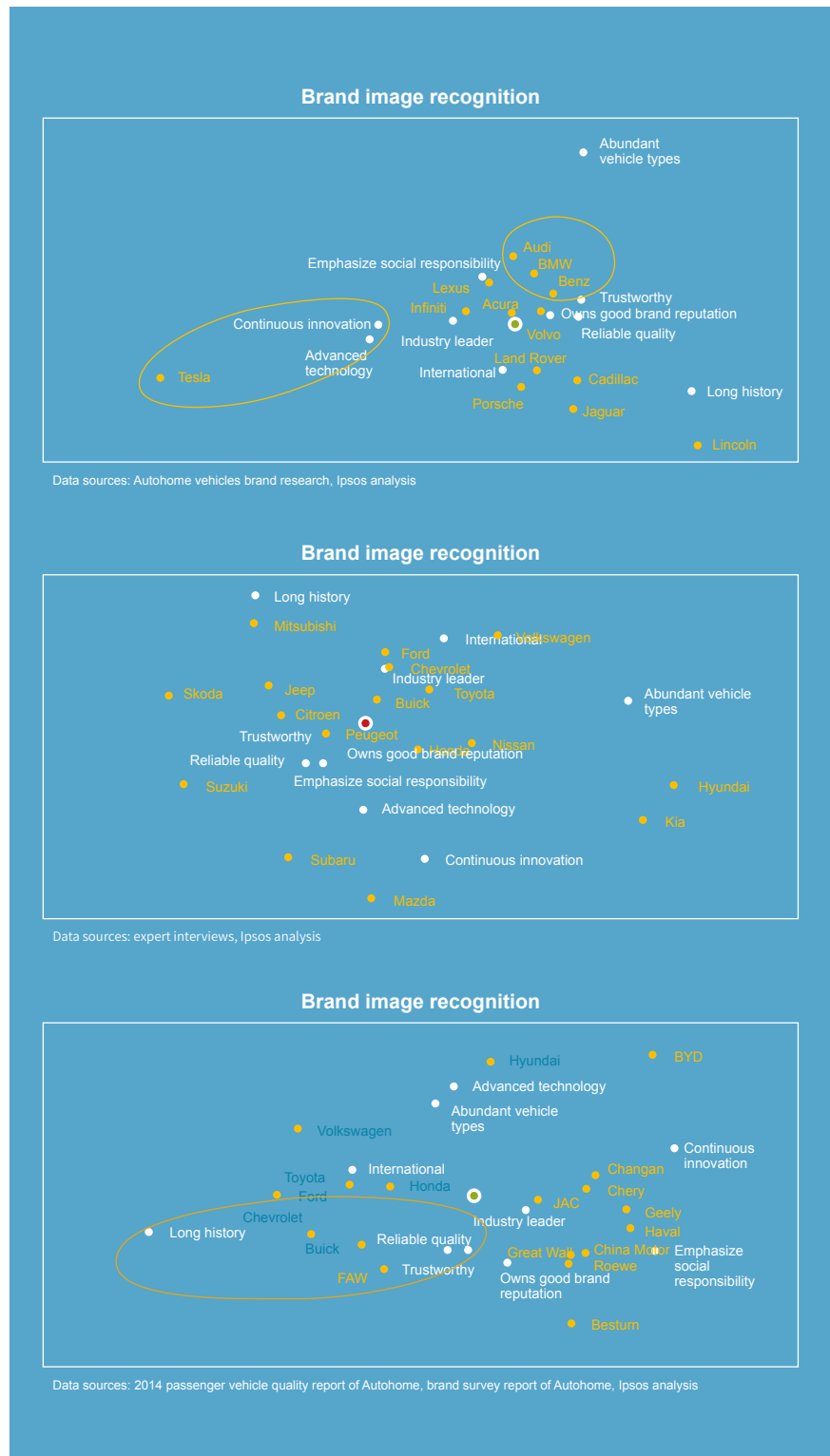
On the whole, the brand image indicator of BMW, Mercedes-Benz, and Audi is similar because in the minds of Chinese domestic consumers, all three have a brand image of internationalization and advanced technology. In the context of the upgraded need for auto consumption, consumers of luxury brands are more and more unsatisfied with just buying a high-end brand to show their status, and hoping to obtain a personalized high-end brand that can match their lifestyle. So, we believe that Mercedes-Benz, BMW, and Audi should further define their high-end brands through brand building in their own way to make their brands more differentiated and produce a stronger emotional connection with consumers.

· Images of overseas mainstream brands with top three brand competitiveness index rankings

As well-known auto manufacturers, Volkswagen, Toyota, and Ford provide an abundance of products for domestic consumers, so their brand images are focused on abundant vehicle styles and internationalization. Combining this survey and the previous one, we find that brands from different countries have different brand images, so different preference level and purchase consideration are prevalent.

· Images of mainstream domestic brands with top three brand competitiveness index rankings

As we can see, there is a difference in brand image for mainstream domestic brands, which also reflects the difference in development directions for different brands. Meanwhile, the indicators of domestic brands, like long history and internationalization, are not high, which are also aspects that mainstream local brands need to improve.



2014 brand competitiveness index report of China auto market

What is brand recognition?

Brand recognition is determined by elements like brand familiarity, preference level, and brand premium. Let's take a closer look at those indicators:

Indicators that influence brand recognition

-Familiarity and preference level:

A 10-point system was adopted to score familiarity and preference level. According to industry standards, respondents whose scores were in the 8 to 10 range were selected to calculate percentage. We can understand this number as the amount of consumers who are familiar or like this brand out of every 100 people. This is the familiarity and preference level of the brand.

-Purchase consideration:

The proportion of users who know this brand and have considered to buy cars of this brand.

-Brand premium:

Brand premium means when given a base price of a certain figure, after the brand of the same product is changed to the relevant brand, the price that consumers can accept. Choosing the most familiar brand of consumers as a benchmark is helpful for consumers to make accurate judgments.

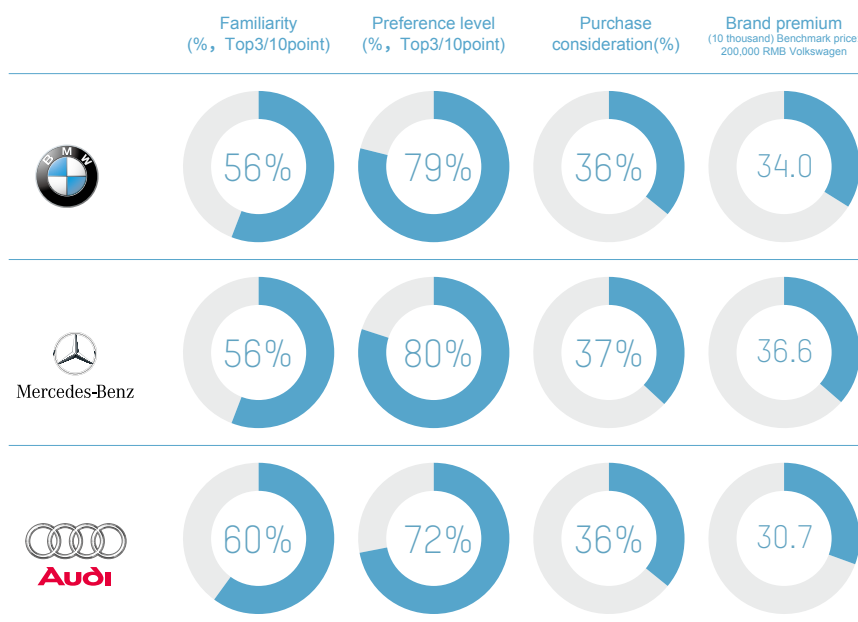
Base price of brand premium: for this survey, the familiarity of Volkswagen is 73%. Considering luxury and mainstream brand and market segment, the price of 200,000 RMB is widely involved with luxury brand, mainstream brand and domestic brand, so we chose a 200,000 RMB Volkswagen as the benchmark price for brand premium.

Next, we chose the top three brands of the three dimensions for a detailed description and to see how their brand recognition is in the Chinese market. First of all, we start with luxury brands.

1.The familiarity, preference level, purchase consideration and brand premium of the top three brand competitiveness - luxury brands

The survey found that there is no obvious gap among the top three in competitiveness index (BMW, Mercedes-Benz and Audi) in familiarity and preference level. In detail, consumers are more familiar with Audi. As for preference level, consumers favor Mercedes-Benz most, followed by BMW and Audi. In terms of purchase consideration, respondents have a similar taste for all three brands.

Regarding brand premium, Chinese consumers think that the price of Mercedes-Benz is the highest after changing brands for the same product. The price of Mercedes-Benz was 366,000 RMB, BMW was 340,000 RMB, followed by Audi at 307,000 RMB. So, we can see that among the top three luxury brands, consumers think that the brand value of Mercedes-Benz and BMW is higher. Although consumers are more familiar with Audi, it still lags considerably behind Mercedes-Benz and BMW in terms of brand premium.



Brand premium: when the given a base price is of a certain figure, after the brand of the same product is changed as to the current relevant brand, the price that consumers can accept.

Top3/10 points: A 10-point system was adopted to score familiarity and preference level. According to industry standards, respondents whose scores are in the 8 to 10 are selected to calculate the percentage;

Data sources: 2014 auto brand survey of Autohome (N=3198)

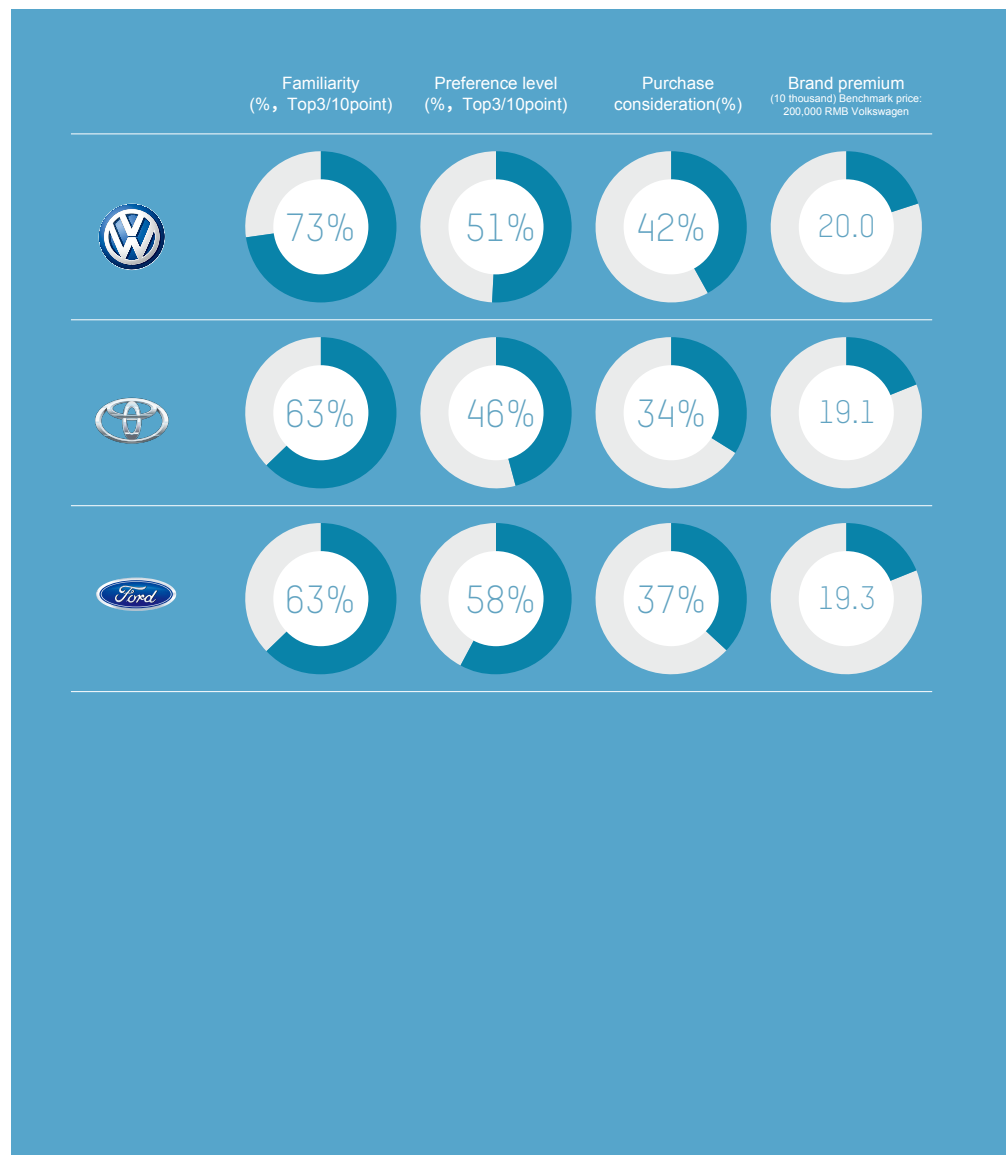
· The familiarity, preference level, purchase consideration and brand premium of top three brand competitiveness - mainstream overseas brands

Compared to the three first-tier brands, there is some difference among the second tier of luxury brands' competitiveness in familiarity, preference level and purchase consideration. Volkswagen, whose brand competitiveness index ranks highest, is also the most familiar product among domestic consumers. 73% of respondents are familiar with Volkswagen, while the familiarity of both Toyota and Ford is 63%, lower than that of Volkswagen. We think this is because Volkswagen was the earliest joint-venture vehicle, and their sales volume in the China market is beyond comparison-Volkswagen has already been a household auto brand in China for a long time.

In terms of preference level, Ford, whose competitiveness ranks third, took the second spot behind Volkswagen, while the preference level of Toyota was only 46%, the lowest of the three. The reason why Volkswagen has a low preference level from our analysis is that it has had a series of quality issues in recent years. As for Toyota, it's low popularity is because many domestic consumers still reject Japanese brands.

As for purchase consideration, Volkswagen came out on top again with 42% of consumers saying they would consider buying this brand. The scores of Ford and Toyota were similar, at 37% and 34% separately.

Regarding brand premium, because Volkswagen is the most familiar brand in China, we set 200,000 RMB of this brand as benchmark price. When considering the same product of a different brand, domestic consumers think that Ford should be cheaper than Volkswagen at 193,000 RMB, and Toyota should be 191,000 RMB. Although the three brands have little difference, we can see that domestic consumers think that the price of a Volkswagen is higher than Toyota and Ford through brand premium.

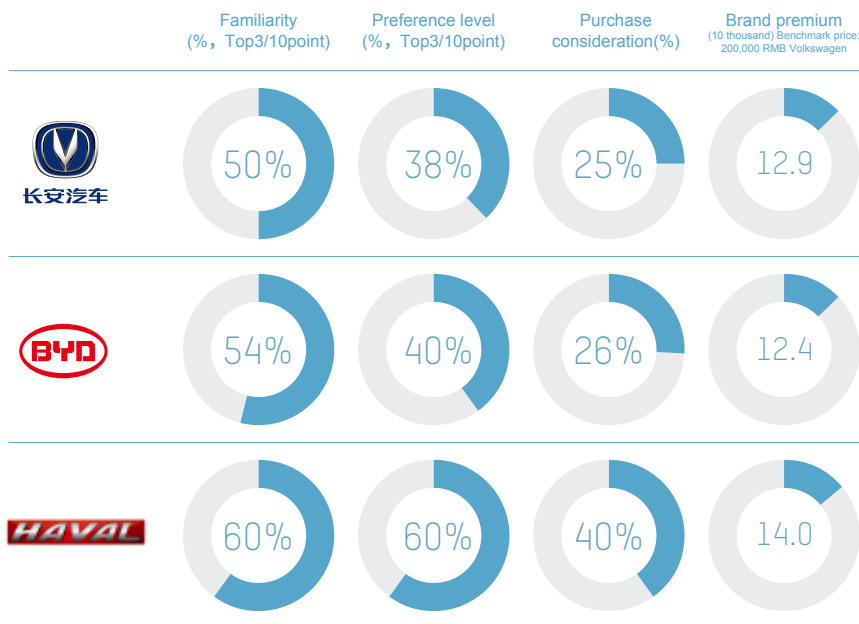


The familiarity, preference level, purchase consideration and brand premium of top three brand competitiveness - mainstream domestic brands

In terms of mainstream domestic brands, there is big gap between local and overseas brands in familiarity, preference level, and purchase consideration. The top three in brand competitiveness index, Chang'an, BYD, and Haval show differences in indicators. With respect of brand familiarity, domestic automaker Haval is the most familiar brand among domestic consumers and has the highest preference level. Regarding purchase consideration, 40% of consumers would consider purchasing Haval, which is higher than its two competitors. Currently, domestic consumers have a preference for SUVs, and all of Haval's products are SUV models, so it has higher more purchase consideration. The purchase consideration of Changan and BYD is basically similar.

With respect to brand premium, domestic consumers think that Haval would have a value of 140,000 RMB, Changan would be 129, 000 RMB, and BYD would have a premium of 124 ,000 RMB. On the whole, the brand premiums for domestic brands are considerably less than mainstream overseas brands.

2014 brand recognition of mainstream domestic brands in China auto market



According to this report, we can basically understand the brand competitiveness, brand recognition, and brand image of most brands in the Chinese market. On the whole, with respect to the current brand competitiveness in China market, the brand competitiveness of the "BBA" luxury brands occupy the dominant positions. Mainstream domestic brands have shown obvious tiers as well. Chang'an, BYD, Haval, Chery, and Geely fall into the first tier of brand competitiveness. Among mainstream overseas brands, Volkswagen, Toyota, and Ford lead in brand competitiveness.

With respect to purchase consideration, there is little difference between the "BBA" luxury brands. As for mainstream local and overseas brands, the purchase consideration level of Haval and Volkswagen are higher than their competitors.

Meanwhile, we can see that there is still a gap between domestic brands and luxury brands in terms of brand premium.

Additionally, every brand has a unique image. In the view of domestic consumers, indicators like internationalization and long history for luxury brands like Mercedes-Benz, BMW, Volkswagen, and Ford and mainstream brands are outstanding. The brand images of domestic brands are diversified, but their quality and internationalization indicators are just not outstanding, which requires domestic brands to put more focus on quality in order to eliminate the disadvantages of brand image and develop toward in a better direction.