

Automakers Bending Over Backwards For Wealthy Chinese

Anita Chang, Associated Press Writer

BEIJING (AP) — The businessman climbed into the Rolls Royce Phantom with the gold-plated Spirit of Ecstasy hood ornament and sank his feet into wine-red carpet. He says he has a Mercedes S600 sedan and a Jaguar sports car at home but needs something for work.

"I just have to consider whether it's too flashy. But otherwise there's no problem. The price isn't a big problem," said the 32-year-old visitor to the Beijing auto show, who would give only his surname, Liu.

Free-spending new rich who have made China a key growth market for luxury goods makers are more important than ever to U.S., European and Japanese creators of high-end automobiles. Sales here are surging while they sag elsewhere and manufacturers are pulling out the stops to woo Chinese buyers.

China is "increasingly becoming the engine of our industry," said Dieter Zetsche, CEO of Daimler AG. Sales of its Mercedes-Benz cars in China soared 112 percent in the first quarter of this year to 23,600 vehicles.

Volkswagen AG's Audi unit, BMW AG's Rolls Royce, Fiat SpA's Ferrari and other makers of high-priced wheels are seeing similar gains.

The surge has been propelled by an economic boom that created a new crop of Chinese millionaires and several dozen billionaires in a country that had almost no private cars 15 years ago. China's mainland now has 825,000 people worth at least 10 million yuan (US\$1.3 million), according to Rupert Hoogewerf, a researcher of wealthy Chinese.

The new rich "need some luxury products to validate themselves," said Wang Honghao, editor in chief of the Chinese automotive magazine Trends Car. "Whether it's luxury cars or luxury luggage, or perfume, clothes, accessories, it's all the same."

China's auto market, the world's biggest since last year, defied the global downturn on the strength of Beijing's 4 trillion yuan (\$586 billion stimulus), which boosted stock and real estate prices.

Luxury car sales in China soared 66 percent in the first quarter from a year earlier, well ahead of 14 percent growth in the United States and a 6 percent fall in Germany, homeland of Benz and BMW, according to J.D. Power and Associates.

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BMW AG's Rolls Royce says sales in China, its third-largest market after the United States and Britain, rose 200 percent in the first quarter from a year earlier to more than 20 vehicles despite a base price of 6.6 million yuan (\$970,000).

Rolls Royce's China sales are so strong that it added a production line and hired more workers partly to meet Chinese demand.

"I see China will even overtake the U.K., our home market, this year and that we will see the Chinese market as the second-most-important market after the U.S.," CEO Torsten Mueller-Oetvoes said.

As China's jet-setting elite gets more sophisticated, luxury automakers are focusing on building their brand image with this niche audience.

Rolls Royce publishes a Chinese-language luxury lifestyle magazine and invites customers from China to visit its factory in Goodwood, England, to see their cars being made. Mercedes-Benz hired movie stars Zhang Ziyi and Li Bingbing to promote its cars. Luxury automakers are opening dealerships in cities as farflung as Chengdu in China's mountainous southwest and holds private gatherings for buyers who want to share their enthusiasm for cars.

Chinese customers are getting more discerning and companies need to work to reach them, said Matthew Bennett, regional director of Aston Martin Asia Pacific.

"It's simple things like increasing the number of people in the company who can speak Mandarin," he said. "The growth in China doesn't come for free. You have to invest and it will come."

China's most popular luxury car is the Audi A6L, favored by government officials. Sales were up 14 percent in March over a year earlier to 9,983, though that was driven partly by stimulus spending that is winding down this year.

Aston Martin — which showcased a DBS like the one James Bond drove in "Quantum of Solace" — sold about 80 cars in China in 2009. Bennett said China is likely to become the company's top market in Asia by next year, though he would not give a sales target.

Bennett got a surprise when he showed the company's concept Rapide, a 12-cylinder, four-door sports car, to VIP customers in Beijing in January.

"We had about five or seven people on the night who said, 'Yup, fine, I'll take it,'" he said. "They hadn't seen other colors. They hadn't driven the car. We hadn't confirmed the price at that point. They said, 'No, no, I'll have it.'"

The price: 3.6 million yuan (\$530,000).

The luxury car market already is big enough that manufacturers are willing to make basic changes to suit wealthy Chinese customers.

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Mercedes unveiled an extended E-class sedan at the Beijing auto show aimed at Chinese buyers, who are more likely to sit in back and have chauffeurs. The new Mercedes gives them an extra 5.5 inches (140 millimeters) of legroom in back.

Zetsche said the company is open to changing other cars.

"I don't think it would be wise generally to adjust and change the vehicles to become 'more Chinese,'" he said. "On the other hand, there are specifics in this marketplace. ... To acknowledge these specifics makes sense and therefore we have this extended version."

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