



# MINI IN CHINA.

A NEW CAR CONCEPT

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# PROBLEM DEFINITION

HOW TO EXPAND MINI BUSINESS OPERATIONS IN CHINA  
IN THE SECOND HALF OF THE DECADE:



WHICH NEW CAR CONCEPT COULD  
BE SUCCESSFUL?

WHAT WOULD BE THE NEW  
TARGET GROUP AND HOW DO WE  
REACH IT?





# AGENDA

1. CHINESE CAR MARKET
2. MINI IN CHINA
3. TARGET GROUP
4. SWOT
5. NEW CAR CONCEPT





# AGENDA

1. THE CHINESE CAR MARKET
  - a. ECONOMIC FACTORS
  - b. SOCIAL FACTORS
  - c. POLITICAL & TECHNOLOGICAL FACTORS
2. MINI IN CHINA
3. TARGET GROUP
4. SWOT
5. THE NEW CAR CONCEPT

Chinese Car Market



MINI in China



Target Group



SWOT Analysis

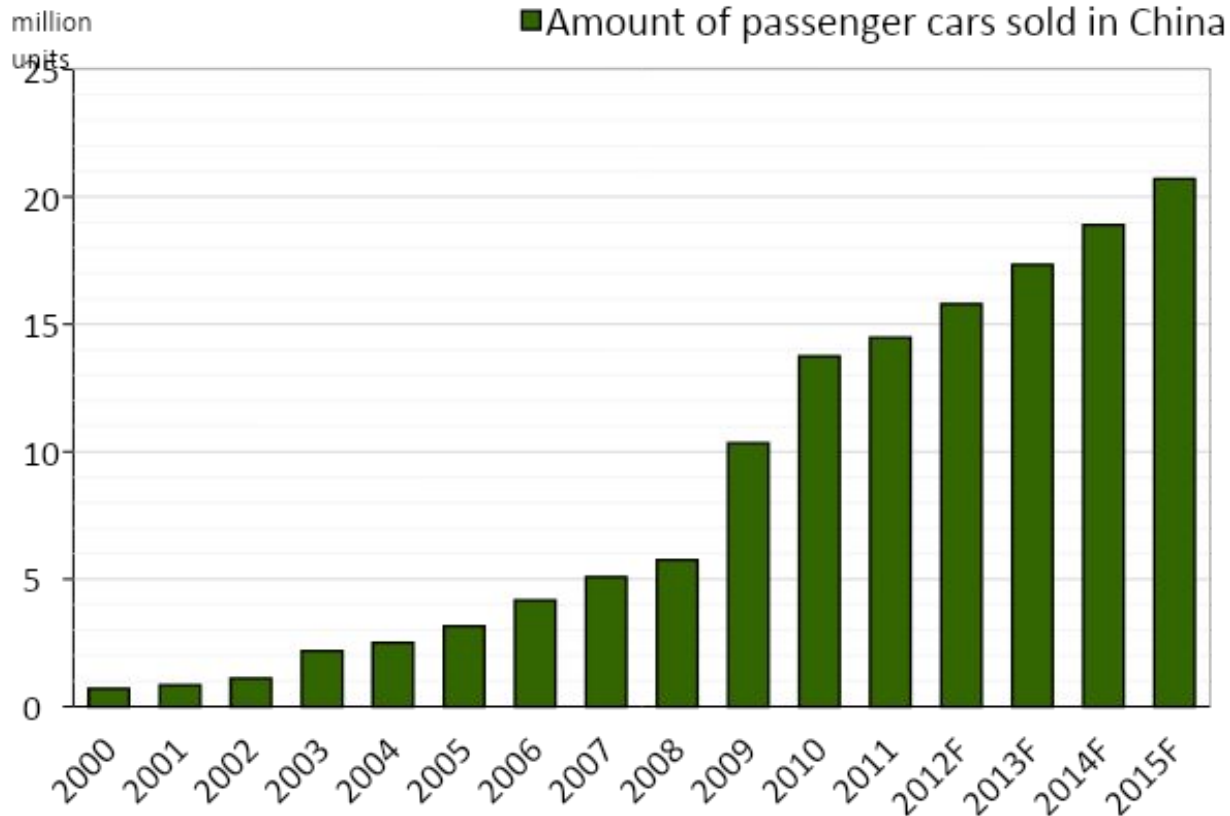


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# SALES DEVELOPMENT



- The world largest automotive market
- 2<sup>nd</sup> biggest market for BMW Group in 2011
- Enhanced governmental subsidies since 2009

Source: China Association of Automobile Manufacturers (CAAM)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis

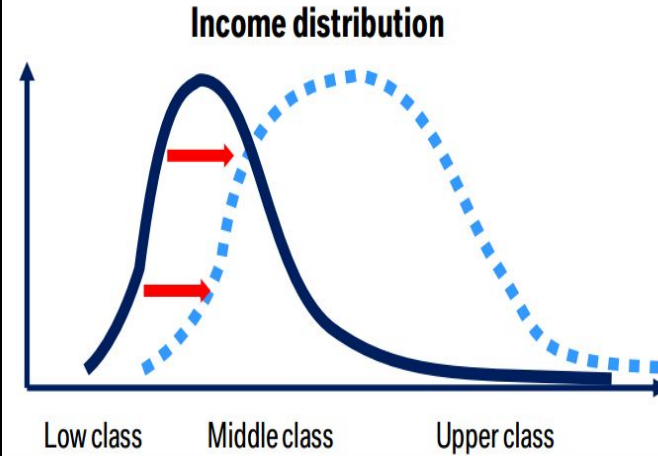
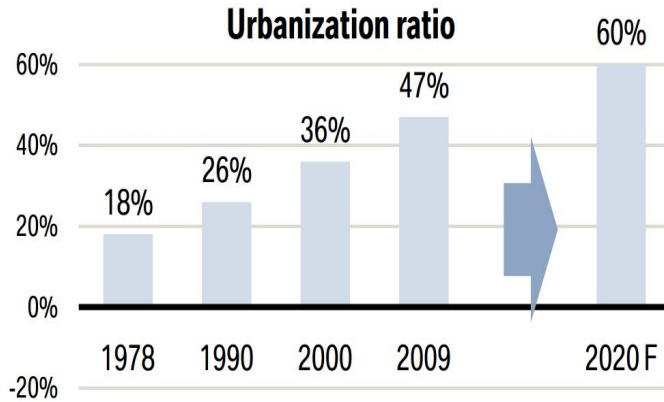


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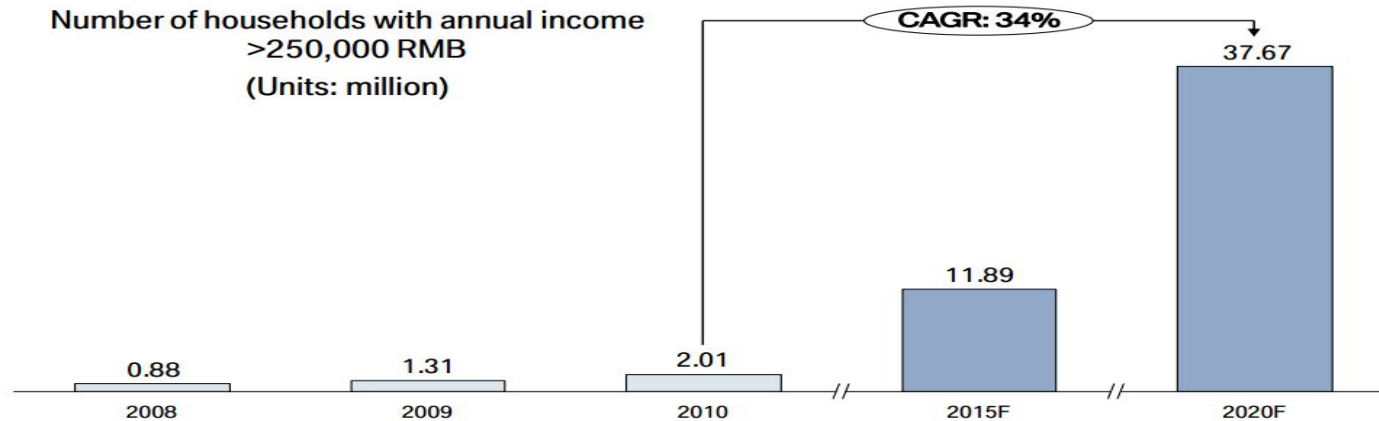




# GROWTH FACTORS



Number of households with annual income >250,000 RMB (Units: million)



Source: BMW Group Investor Presentation (2012)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



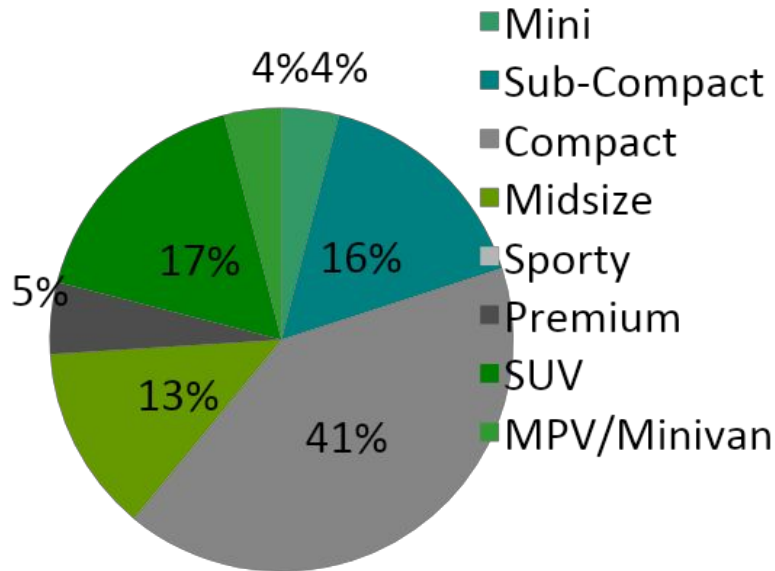
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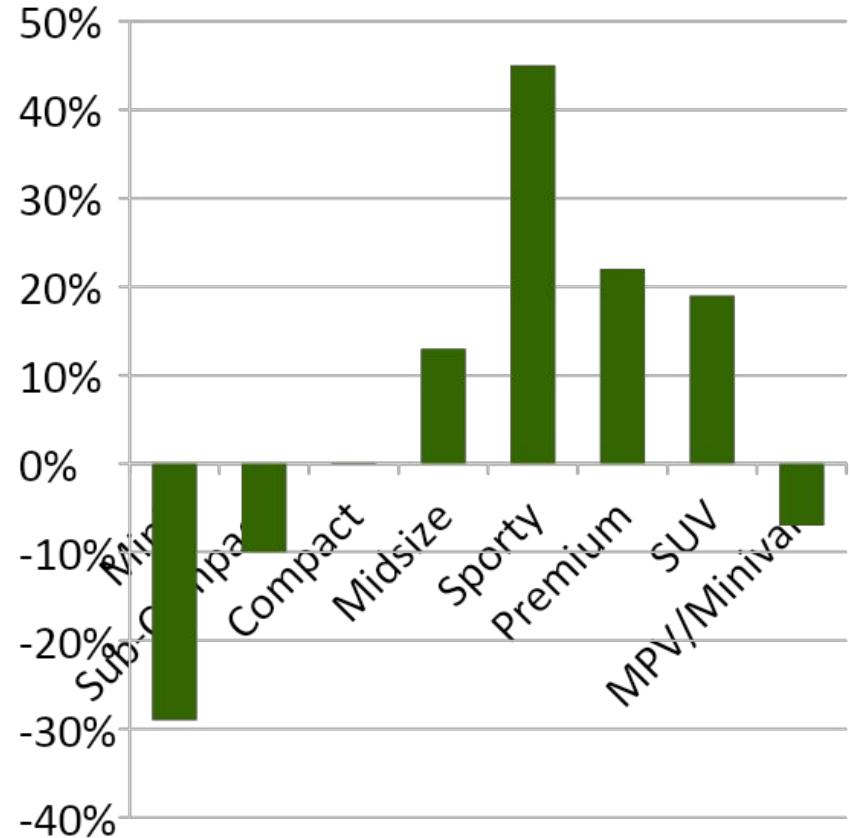


# CURRENT CAR SEGMENTS

Share YTD



Growth YTD



Source: China Automotive Monthly (March 2012)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



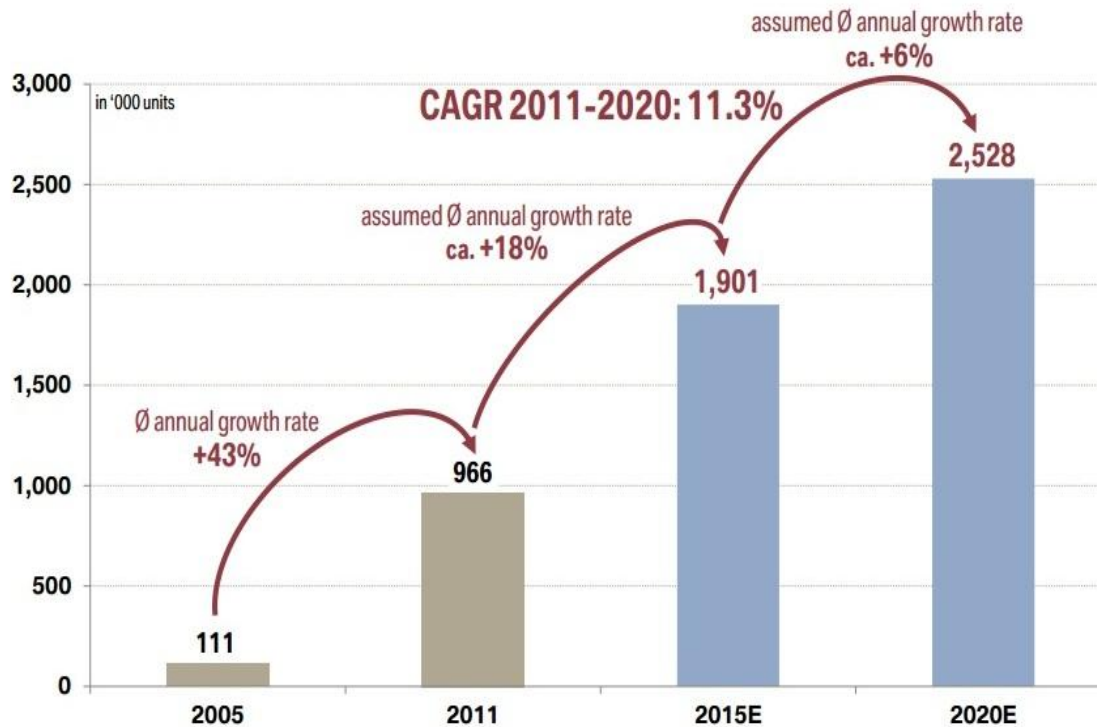
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# RELEVANT FUTURE CAR SEGMENTS

## Premium



## SUV

- 2,1 million SUV sales in 2011 (25,3% growth)
- > 20% annual volume growth rate for SUVs expected by 2020

Source: BMW Group Investor Presentation (2012),  
[www.bloomberg.com](http://www.bloomberg.com), [www.smartplanet.com](http://www.smartplanet.com)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



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# REASONS TO GO GREEN

## Government Interventions

|  |   |                                       |
|--|---|---------------------------------------|
| <b>Regulations to limit traffic and to reduce pollution:</b> | License plate registration policy in Beijing since 2010 | Beijing V emission standard           |
| <b>Subsidies to boost fuel-efficient cars:</b>               | Pilot green-car subsidies program since 2010            | (Partial) exemption from annual taxes |

## Chinese fuel prices versus U.S. crude prices



□ Increase of about 150 % within 9 years

- China Gas
- China Diesel
- U.S. Crude

Source: [www.chinadaily.com.cn](http://www.chinadaily.com.cn),  
[www.autophobserver.com](http://www.autophobserver.com), [www.nytimes.com](http://www.nytimes.com)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



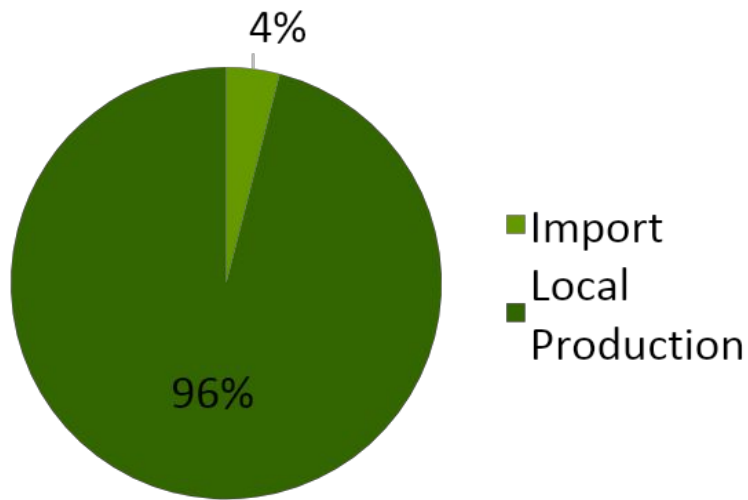
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# LOCAL PRODUCTION VS. IMPORT

## Automobile Sales Volume 2011



- 2011 total sales volume: 14,470,000
- High import tariffs (25%)
- Cost savings due to local production, e.g. BMW X1 (10-20%)  
Import price: RMB 360,000 - 550,000  
Local price: RMB 282,000 - 498,000

Source: WTO Accession China Tariff Schedule, [www.car.bitauto.com](http://www.car.bitauto.com), Deloitte World Tax Advisor, China Automobile Trading Co. Ltd, China Association of Automobile Manufacturers

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



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# AGENDA

1. THE CHINESE CAR MARKET
2. **MINI IN CHINA**
  - a. SALES VOLUME
  - b. IMAGE
  - c. DIFFERENTIATION OF MINI MODELS
  - d. COMPETITORS
3. TARGET GROUP
4. SWOT
5. THE NEW CAR CONCEPT

Chinese Car Market



**MINI in China**



Target Group



SWOT Analysis



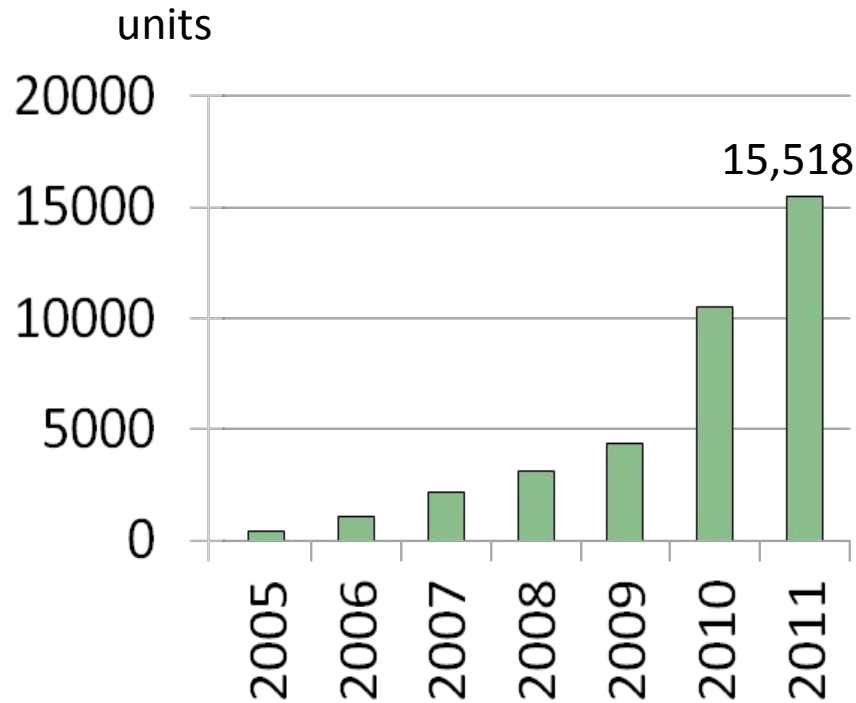
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# MINI SALES VOLUME IN CHINA

## MINI Sales Volume



- Share of worldwide MINI sales volume 2011: ~ 5,5 %



- Sales increase 2010/2011



21,7%



47,7%

Source: BMW Group Annual Report (2011), [www.club.autohome.com.cn](http://www.club.autohome.com.cn), [www.reuters.com](http://www.reuters.com)

Chinese Car Market

MINI in China

Target Group

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# IMAGE OF MINI IN CHINA



- Stylish, individual design
- Excitement
- Energetic appearance
- Modern, young lifestyle
- Great driving experience
- Reliability, safety, durability

## BMW Group



- Most desired brand in China
- Stands for: premium quality safety, service, reliability, advanced technology, joy

Source: Simms/Trott (2007), Riklin (2010), [www.prcenter.de](http://www.prcenter.de), [www.bmwgroup.com](http://www.bmwgroup.com), BMW Group Investor Presentation (2012), BMW Group in China Report (2011)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis

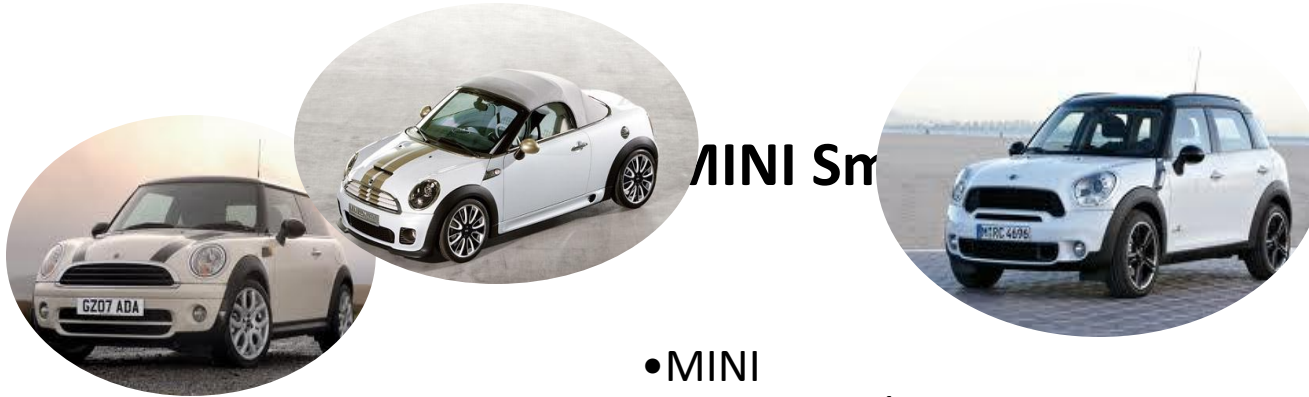


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# DIFFERENTIATION OF MINI MODELS



**MINI Sm**

- MINI
  - MINI Coupé
  - MINI Cabrio
  - MINI Roadster
  - MINI Clubman
- 
- **MINI Compact SUV**
  - MINI Countryman

Source: [www.mini.de](http://www.mini.de)

Chinese Car Market

MINI in China

Target Group

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# COMPETITORS OF MINI SMALL CARS



|                                |              |          |            |         |
|--------------------------------|--------------|----------|------------|---------|
| <b>Brand</b>                   | Daimler      | Fiat     | Volkswagen | Audi    |
| <b>Model</b>                   | Smart Fortwo | Fiat 500 | Beetle     | A1      |
| <b>Origin</b>                  | Import       | Import   | Import     | Import  |
| <b>Price<br/>(in '000 RMB)</b> | 115-225      | 170-230  | 200-330    | 220-280 |

Source: [www.chinacartimes.com](http://www.chinacartimes.com), [www.inautonews.com](http://www.inautonews.com)

Chinese Car Market

MINI in China

Target Group

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# COMPETITORS OF MINI SUV



|                                |         |              |         |        |
|--------------------------------|---------|--------------|---------|--------|
| <b>Brand</b>                   | BMW     | Volkswagen   | Audi    | Nissan |
| <b>Model</b>                   | X1      | Tiguan       | Q5      | Juke   |
| <b>Origin</b>                  | Local   | Import/Local | Local   | Import |
| <b>Price<br/>(in '000 RMB)</b> | 282-498 | 343-417      | 380-540 | tba    |
|                                |         | 200-295      |         |        |

Source: [www.chinacartimes.com](http://www.chinacartimes.com), [www.inautonews.com](http://www.inautonews.com), [www.carnewschina.com](http://www.carnewschina.com)

Chinese Car Market

MINI in China

Target Group

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# AGENDA

1. THE CHINESE CAR MARKET
2. MINI IN CHINA
3. **TARGET GROUP**
  - a. CUSTOMER PROFILE
  - b. NEEDS AND PREFERENCES
4. SWOT
5. THE NEW CAR CONCEPT

Chinese Car Market



MINI in China



**Target Group**



SWOT Analysis



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# CUSTOMER PROFILE

## Online Survey

- Number of respondents: 141
- Male: 68
- Female: 73
- Age range: 18-35
- Cities: Shanghai, Guangzhou, Chengdu

## Expert Interview

- Shanghai MINI dealer



Chinese Car Market



MINI in China



Target Group



SWOT Analysis



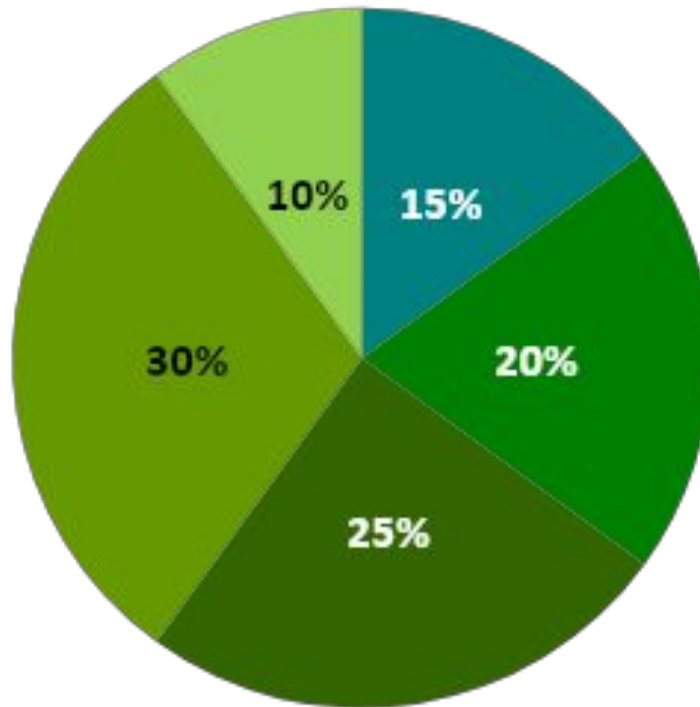
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# CUSTOMER PROFILE

## MINI Small Car Customers



- Successful single ladies
- Daughters of rich parents
- Affluent families
- Affluent couples
- Style conscious men

Source: retailer information

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



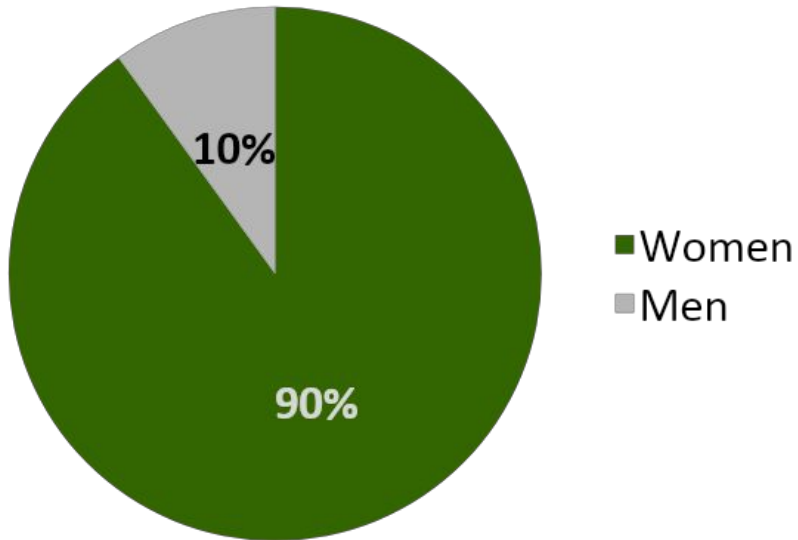
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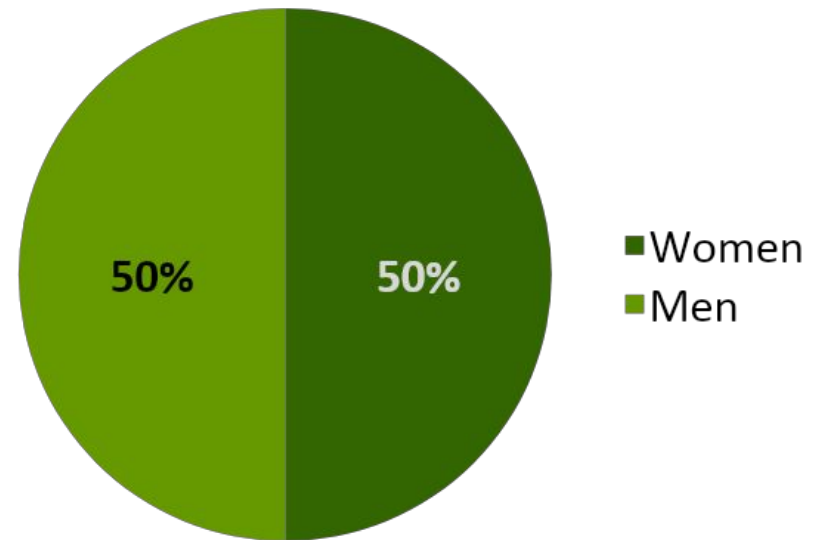


# CUSTOMER PROFILE

## MINI Small Car



## MINI SUV



Source: retailer information

Chinese Car Market



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Target Group



SWOT Analysis



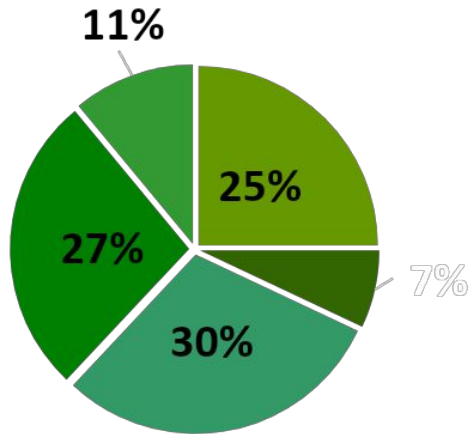
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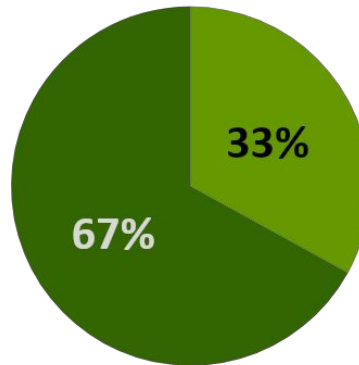
# NEEDS AND PREFERENCES

### Preferred Features



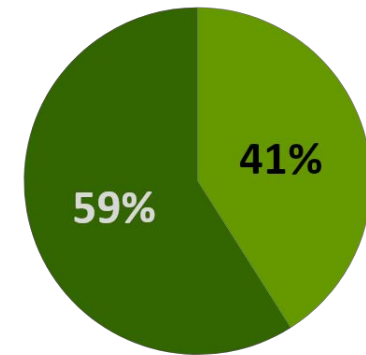
- 4-wheel drive
- Data and media system
- Individualism
- Hybrid or E-car
- Others

### Impact of Local Production on Brand Image



- Damages the brand image
- No effect

### Local Adaption of MINI Models



- Desirable
- Undesirable

Source: Booz&company quantitative research (2008), online survey

Chinese Car Market



MINI in China



Target Group



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Chinese Car Market



MINI in China



Target Group



**SWOT Analysis**



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# SWOT ANALYSIS

## Strengths

- 47,7 % MINI sales increase in China in 2011
- Good reputation and strong brand image
- Unique design
- Increasing local presence of BMW Group in China: production, financial services, R&D, cooperation

## Weaknesses

- Relatively few male customers
- Family needs insufficiently satisfied by current product portfolio
- Comparatively high price

## → Strategies:

(SW) Expansion of target group by offering a compact SUV as family 1<sup>st</sup> car

(SW) Cost reduction through local production

Source: Doll, N. (2011), BMW Group Investor Presentation (March 2012), BMW Group in China Report (May 2011), Haley (2012), [www.reuters.com](http://www.reuters.com), [www.telegraph.co.uk](http://www.telegraph.co.uk)

Chinese Car Market



MINI in China



Target Group



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# SWOT ANALYSIS

## Opportunities

- Growing urban population with increasing income
- Demand and government subsidies for advanced alternative fuel technology
- Cooperation with local universities

## Threats

- Strong competition
- Soaring petrol prices
- Overload of local road system and governmental efforts to limit traffic

## → Strategies:

(ST) Promotion of MINI as luxury car that adds value to peoples life besides of merely being means of transportation

(OT) Development of hybrid/ electric engine to bypass soaring petrol prices

Source: Doll, N. (2011), BMW Group Investor Presentation (March 2012), BMW Group in China Report (May 2011), Haley (2012), [www.reuters.com](http://www.reuters.com), [www.telegraph.co.uk](http://www.telegraph.co.uk)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



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# AGENDA

1. THE CHINESE CAR MARKET
2. MINI IN CHINA
3. TARGET GROUP
4. SWOT
- 5. THE NEW CAR CONCEPT**
  - a. NEW TARGET GROUP
  - b. NEW MODEL
  - c. POSITIONING
  - d. MARKETING MIX

Chinese Car Market



MINI in China



Target Group



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# NEW TARGET GROUP

## Young families with children

- MINI SUV as first family car

### Special needs:

- Enough room for all family members and related equipment
- Common safety features & special safety features for children
- Fuel efficient engine
- Entertainment for children



Chinese Car Market

MINI in China

Target Group

SWOT Analysis

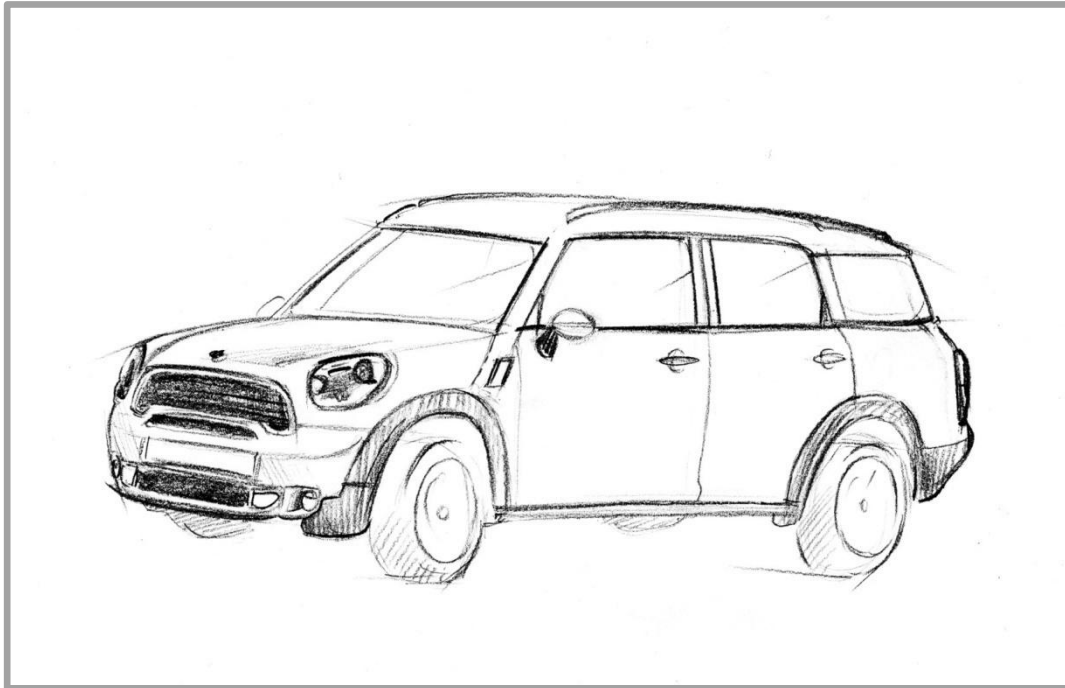
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# NEW MODEL

## MINI TIGER



**Local production**

**Fuel efficient engine**

**Bigger Size**

Length: 4,25m

Height: 1,57m

Width: 1,8m

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



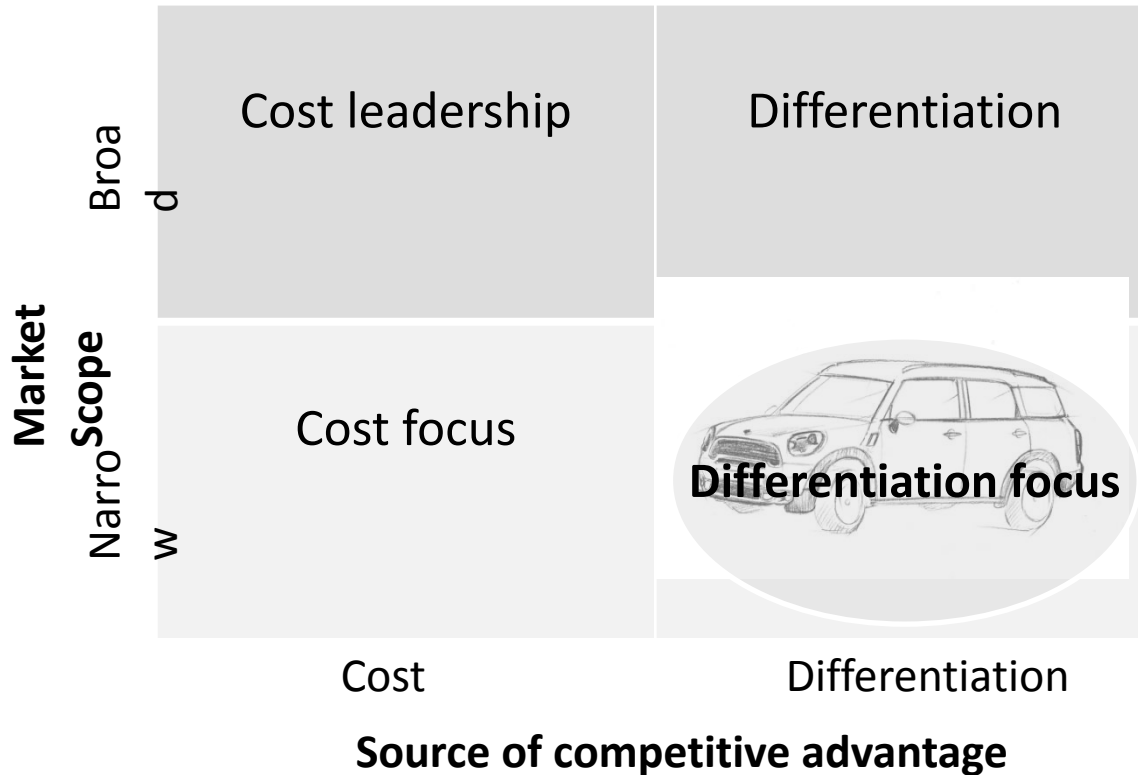
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# POSITIONING

## Porter's Generic Strategy



- Unique MINI style
- Specific target group
- Relatively high price

Source: Murray (1988)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



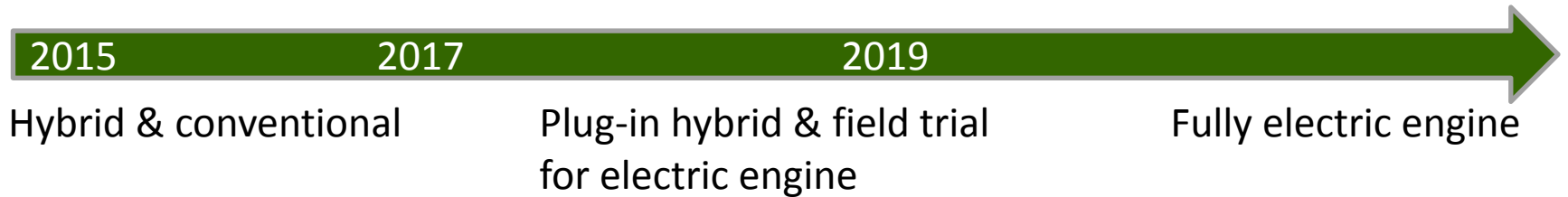
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# PRODUCT

## Fuel efficient engine



- R&D cooperation with universities
- Expansion of existing field trial cooperation
- Increased involvement in the GETRAG BOSCH hybrid cooperation

Source: [www.timeshighereducations.co.uk](http://www.timeshighereducations.co.uk), [www.motoringfile.com](http://www.motoringfile.com), [www.cbichina.org.cn](http://www.cbichina.org.cn), [www.getrag.com](http://www.getrag.com), [www.manager-magazin.de](http://www.manager-magazin.de)

Chinese Car Market



MINI in China



Target Group



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# PRODUCT

## Local production

- Potential partner: Brilliance China Automotive Holdings Ltd
  - local partner of BMW
- Suggested production sites:
  - Shanghai
  - Changchun
  - Hangzhou
  - Hefei
  - Shenzhen



Governmental subsidies

Source: [www.timeshighereducations.co.uk](http://www.timeshighereducations.co.uk), [www.motoringfile.com](http://www.motoringfile.com), [www.cbchina.org.cn](http://www.cbchina.org.cn), [www.getrag.com](http://www.getrag.com), [www.manager-magazin.de](http://www.manager-magazin.de)

Chinese Car Market



MINI in China



Target Group



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# PRODUCT

| Features           | Already available   | Not yet offered by MINI   |
|--------------------|---|---|
| Safety             | <ul style="list-style-type: none"><li>▪ Child-proof lock</li><li>▪ Parking assistant/ back cameras</li></ul>                          | <ul style="list-style-type: none"><li>▪ Head up display</li></ul>   |
| Electronic Devices | <ul style="list-style-type: none"><li>▪ Adaptability of portable devices (e.g. iPhone, iPod)</li><li>▪ Hands free equipment</li></ul> | <ul style="list-style-type: none"><li>▪ iPad adaptability</li></ul> |
| Design             | <ul style="list-style-type: none"><li>▪ Individual (e.g. color, rims)</li></ul>   |   |
| Others             | <ul style="list-style-type: none"><li>▪ 4 wheel drive</li><li>▪ Luggage extras</li><li>▪ MINI connected app</li></ul>                 | <ul style="list-style-type: none"><li>▪ Panorama roof</li></ul>     |

Source: www.mini.de

Chinese Car Market



MINI in China



Target Group



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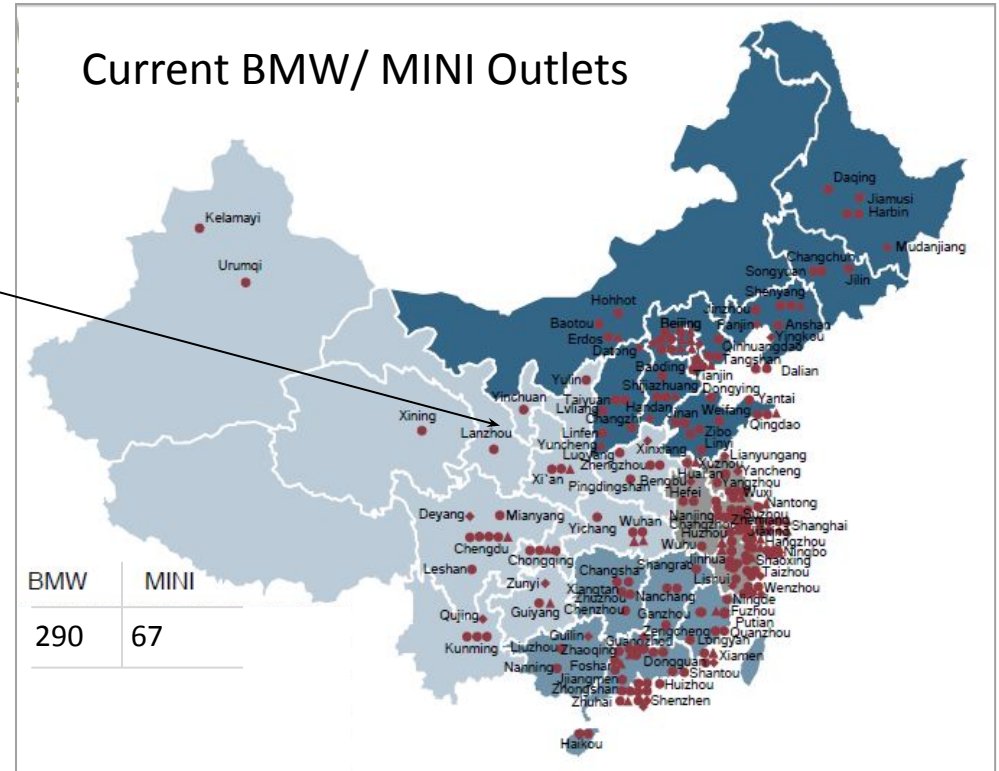




# PLACE

## MINI Dealers, Distribution & Customer Relations

- MINI represented in most of the provinces with fastest growing purchasing power
  - further suggestion: Gansu
- Most dealers offer MINI together with BMW
  - keep this strategy
- Online 4 S stores
  - Communicate with customers
  - Build brand perception
  - Complement conventional dealership



Source: [www.mini.china.com](http://www.mini.china.com), Ernst & Young (2011), BMW Group investor presentation (March 2012), [www.red-luxury.com](http://www.red-luxury.com), [www.motoring.asiaone.com](http://www.motoring.asiaone.com)

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



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# PRICE

## Skimming Strategy

- Introduce a relatively high price
- Adjust the price in the future according to demand

## Broad Range of Financing Services

- Increases loyalty
- Helps to sell more optional equipment

## Starting Price

- MINI Tiger: 330,000 – 380,000 RMB
- MINI Tiger Hybrid: 370,000 – 430,000 RMB

Source: [www.faculty.msb.edu](http://www.faculty.msb.edu)

Chinese Car Market



MINI in China



Target Group



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# GLOCALIZED PROMOTION



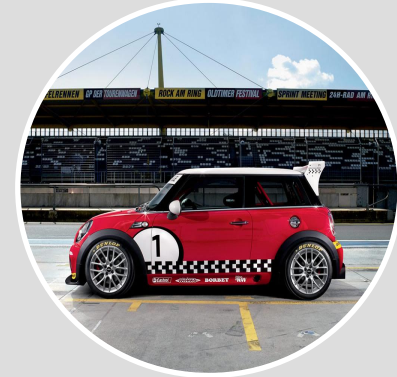
## Product Launch

Shanghai Auto Show 2015



## Product awareness

- Campaign with Yao Ming
- Billboards
- TV Spots
- Magazines



## Product liking

- Movies
- Cooperation with Apple
- Sport events

**Message: MINI. Surprisingly Large.**

Source: Abel (2011)

Chinese Car Market



MINI in China



Target Group



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# PROBLEM SOLUTION





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Thank you for your attention!





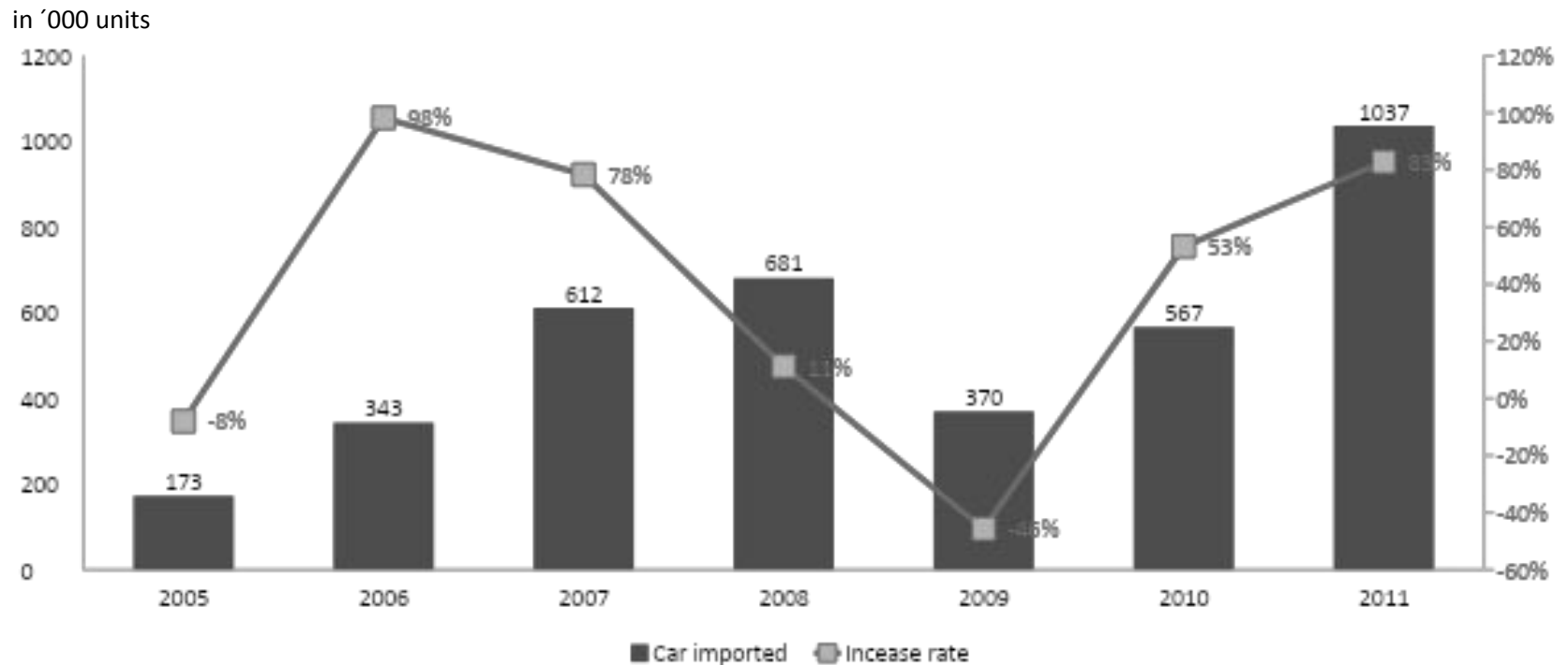
# Backup





# LOCAL PRODUCTION VS. IMPORT

## Volume of imported cars 2005-2011



Source: WTO Accession China Tariff Schedule, car.bitauto.com, Deloitte World Tax Advisor, www.db.auto.sohu.com

Chinese Car Market



MINI in China



Target Group



SWOT Analysis



New Concept







# BACKUP

## China's fastest growing provinces for retail

| Preliminary Chinese Provincial Retail Statistics (2011) |              |                    |                 |
|---|--------------|--------------------|-----------------|
| Rank  | Provinces    | Retail sales (RMB) | Growth rate (%) |
| 1   | Guangdong    | 2.02 trillion      | 16.3            |
| 2   | Shandong     | 1.67 trillion      | 17.3            |
| 3   | Jiangsu      | 1.58 trillion      | 17.5            |
| 4   | Zhejiang     | 1.19 trillion      | 17.4            |
| 5   | Henan        | 910.0 billion      | 18.0            |
| 6   | Hebei        | 803.6 billion      | 17.8            |
| 7   | Liaoning     | 800.4 billion      | 17.5            |
| 8   | Hubei        | 792.9 billion      | 18.0            |
| 9   | Beijing      | 690.0 billion      | 10.8            |
| 10  | Hunan        | 680.9 billion      | 17.9            |
| 11  | Shanghai     | 677.7 billion      | 12.3            |
| 12  | Sichuan      | 665.9 billion      | 17.9            |
| 13  | Fujian       | 616.9 billion      | 18.2            |
| 14  | Anhui        | 490.1 billion      | 18.0            |
| 15  | Heilongjiang | 470.5 billion      | 17.6            |

| Preliminary Chinese Provincial Retail Statistics (2011) |                |                    |                 |
|---|----------------|--------------------|-----------------|
| Rank  | Provinces      | Retail sales (RMB) | Growth rate (%) |
| 16  | Jilin          | 411.6 billion      | 17.5            |
| 17  | Inner Mongolia | 393.7 billion      | 18.0            |
| 18  | Guangxi        | 386.1 billion      | 18.0            |
| 19  | Shanxi         | 377.4 billion      | 17.6            |
| 20  | Shaanxi        | 373.0 billion      | 18.6            |
| 21  | Jiangxi        | 345.8 billion      | 17.9            |
| 22  | Chongqing      | 341.6 billion      | 18.7            |
| 23  | Tianjin        | 339.5 billion      | 18.7            |
| 24  | Yunnan         | 300.0 billion      | 20.0            |
| 25  | Guizhou        | 175.0 billion      | 18.0            |
| 26  | Gansu          | 161.6 billion      | 18.0            |
| 27  | Xinjiang       | 155.7 billion      | 17.5            |
| 28  | Hainan         | 74.1 billion       | 18.8            |
| 29  | Ningxia        | 47.5 billion       | 18.0            |
| 30  | Qinghai        | 40.5 billion       | 17.0            |
| 31  | Tibet          | 21.8 billion       | 17.6            |

Retail as an indicator for purchasing power

Source: red-luxury.com

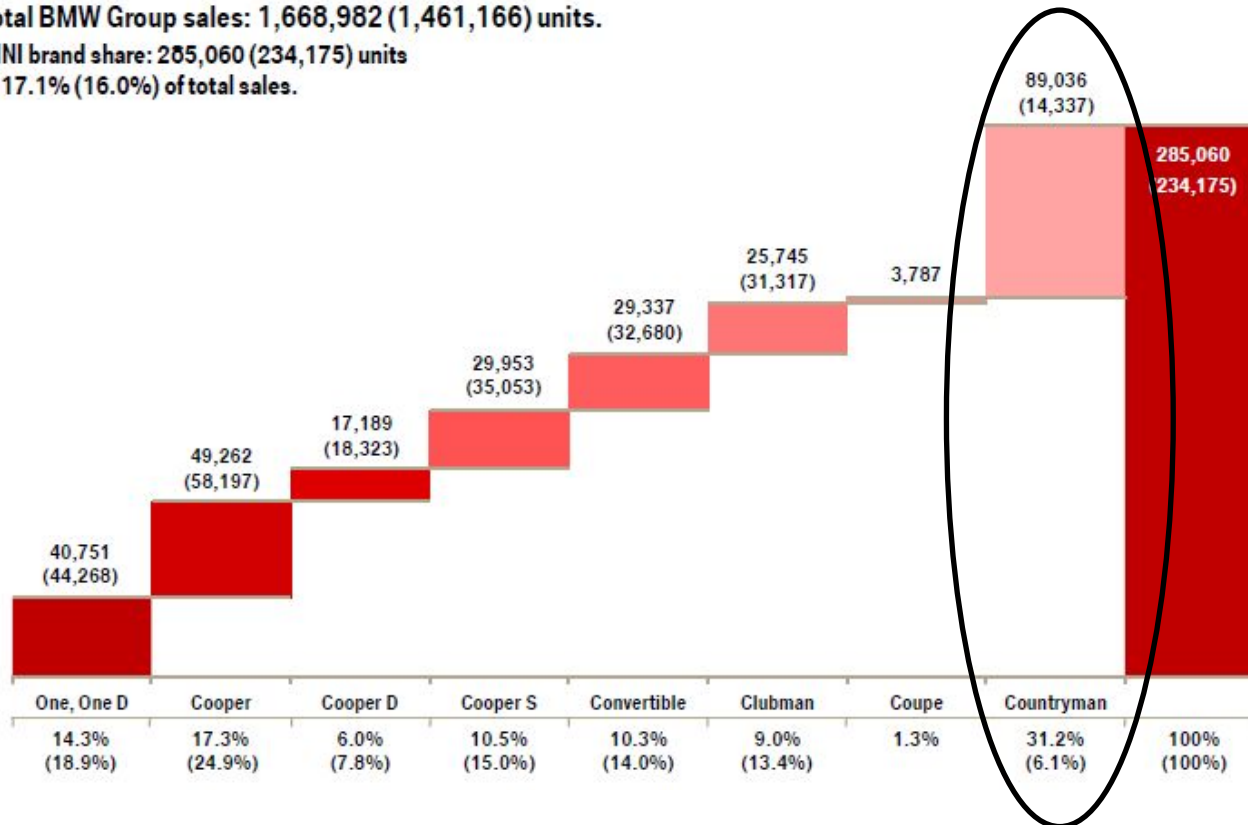




# SUCCESS OF MINI SUV

Total BMW Group sales: 1,668,982 (1,461,166) units.

MINI brand share: 285,060 (234,175) units  
or 17.1% (16.0%) of total sales.



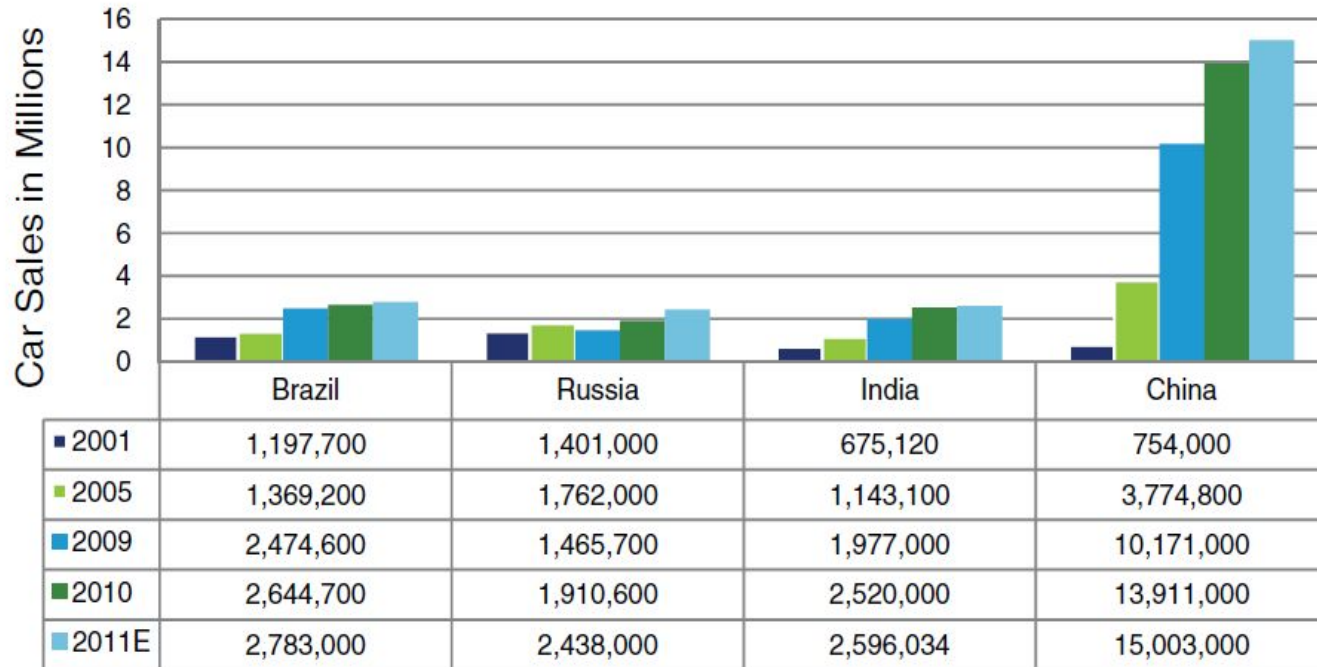
Source: BMW Group investor presentation (March 2012)





# CAR SALES BRIC COUNTRIES

## Passenger car sales



□ China: highest volume & fastest growing

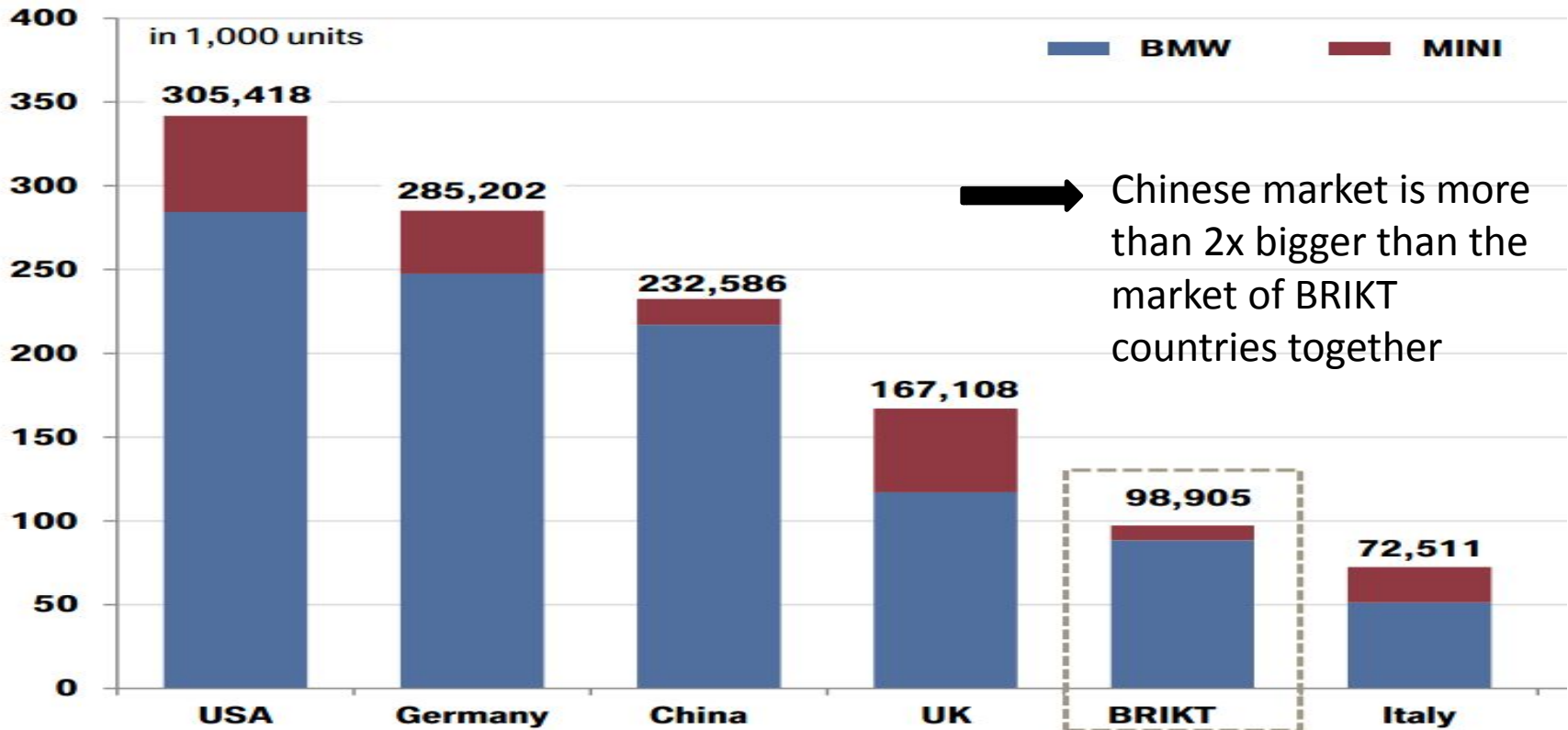
Source: Deloitte (2011)





# BRIKT ANALYSIS

## BMW and MINI sales in 2011

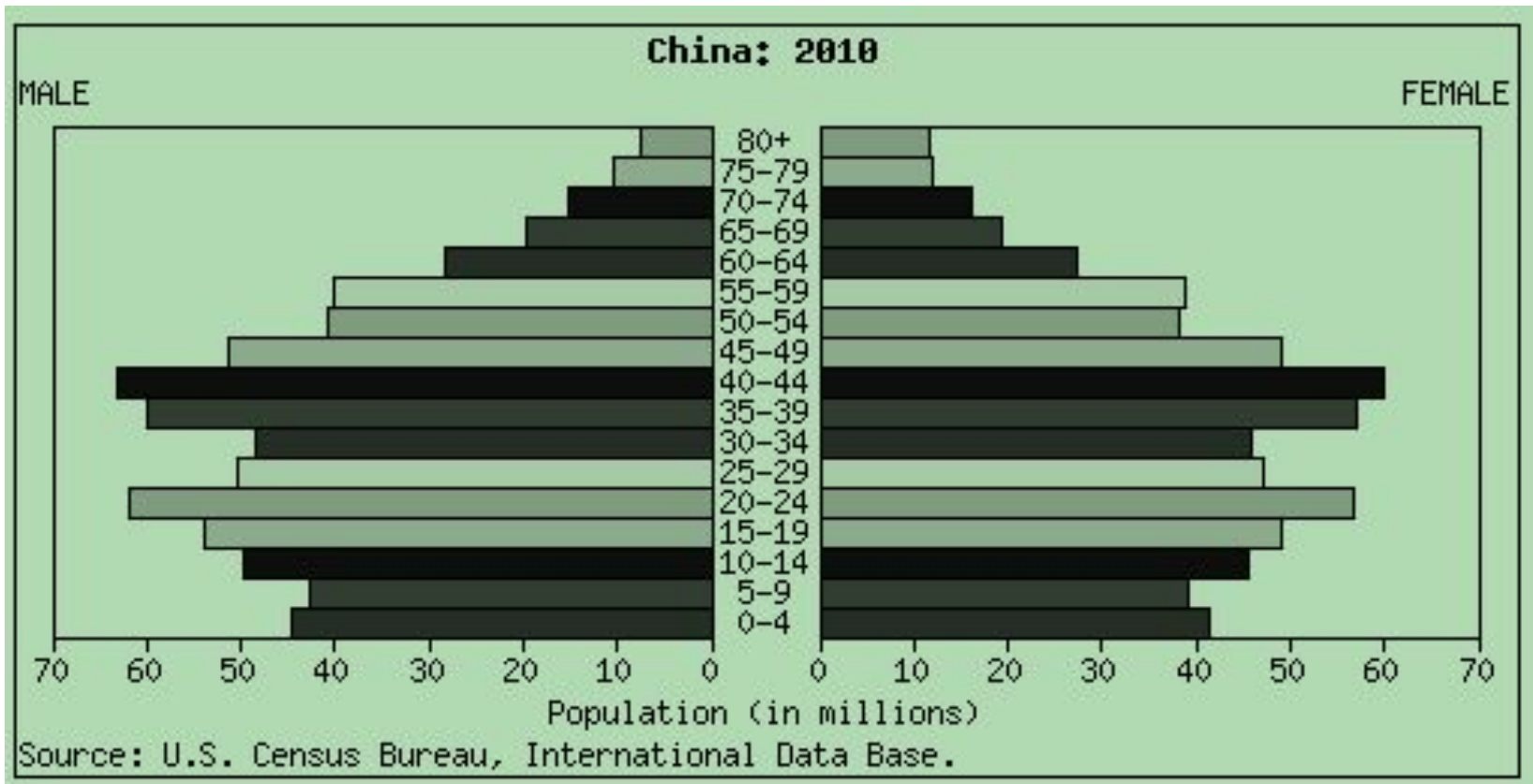


Source: BMW Group investor presentation (March 2012)





# Current Age Structure





# ONLINE SURVEY

## Questions

**1. If you wanted to buy a car, what features would you be looking for?**

- A. 4 wheel drive   B. Data and media system  
C. Individuality   D. Hybrid or e-car   E. Others

**2. Do you think the local production of MINI in China would damage the image of the brand?**

- A. Damages the brand image   B. No effect

**3. Do you think it is desirable to buy a MINI that is adapted to the Chinese market (vs. a global uniform)?**

- A. Desirable   B. Undesirable







# ONLINE SURVEY

## Questions

**4. Would you prefer buying a MINI that was imported or rather one that was produced in China?**

A. Produced in China   B. Imported

**5. If you know MINI, what kind of features do you like most about the car?**

A. Appearance   B. Power  
C. Individuality   D. Brand

