July, 2023

"NEW PREMIUM" CHINA SURVEY

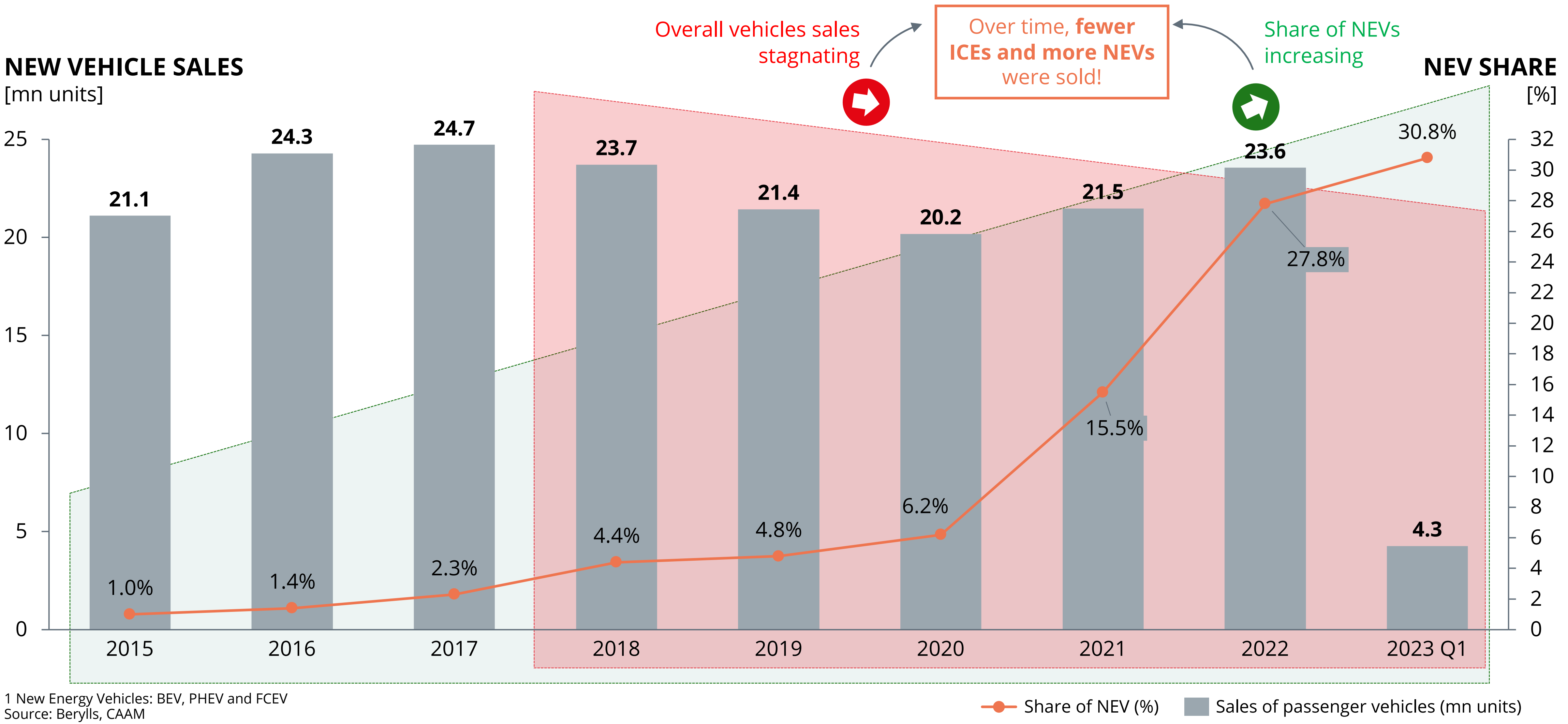
Excerpt of results

THE CHINESE AUTO MARKET HAS BECOME TREMENDOUSLY COMPLEX

Source: Berylls

THE BIG PICTURE: NEVS HAVE BEEN ON THE RISE FOR QUITE SOME TIME

While sales of passenger cars in China has been going up and down, the rise of NEVs[1] is continuing.

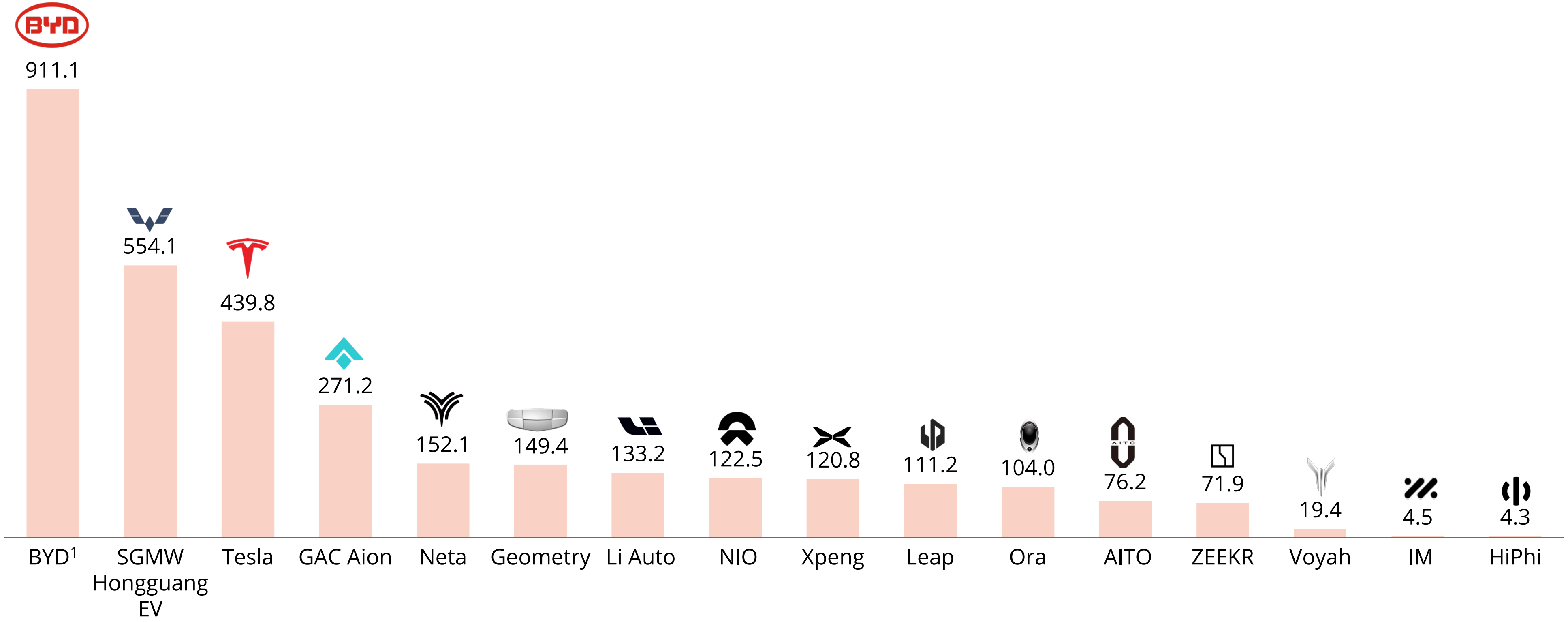


1 New Energy Vehicles: BEV, PHEV and FCEV
Source: Berylls, CAAM

NEV: THE CHINESE NEV MARKET IS DOMINATED BY MOSTLY LOCAL PLAYERS

Tesla is a notable exception.

Best-selling NEV brands in 2022 (selected) [‘000 units]

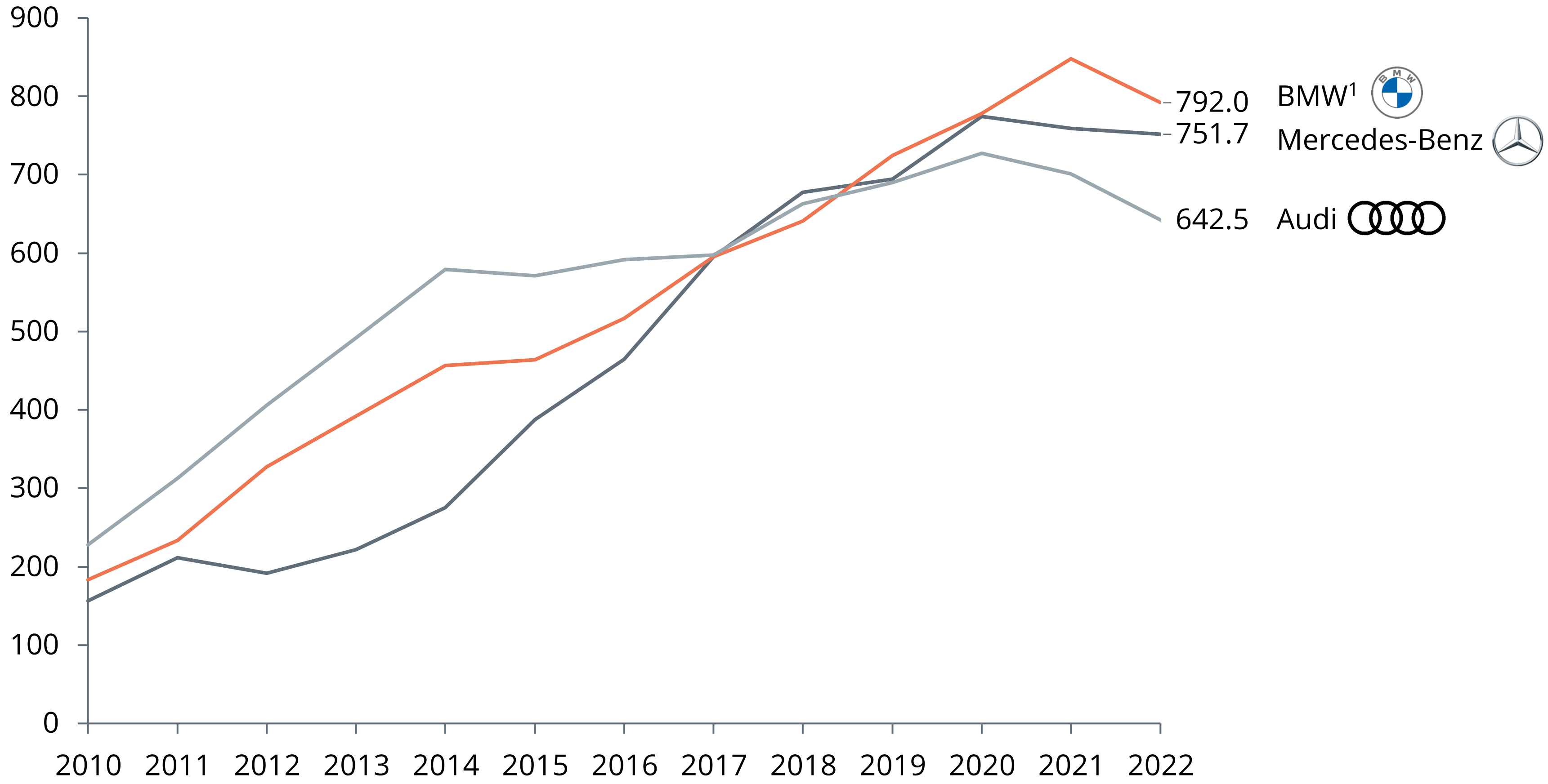


- The Chinese NEV market is dominated **by local players accounting for ~80%** of the market – with rising tendency, e.g., achieving **~90%** in Q1 ‘23
- New EV players and sub-brands of traditional OEMs have been successful in 2022 – with an **increasing number of players going upscale/ premium**

1 BEV models only
Source: Berylls, press

TRADITIONAL PREMIUM OEMS' PERFORMANCE IN CHINA HAVE STARTED TO DETERIORATE

GERMAN PREMIUM CHINA SALES 2010 – 2022 ['000 units]



1 Incl. MINI
Source: Berylls, press, company information

GERMAN PREMIUM IN CHINA

- While still being the **dominant force**, all three German premium players have **lost volume** in 2021 and 2022, in particular Audi
- This trend continued into 2023 with Mercedes-Benz being the exception
- In NEV, all players still have **significant headroom**

WHAT ARE KEY CHANGES?

In particular, customers tastes have changed – there seems to be new understanding of what constitutes premium

LAND SLIDING **PRICE EROSION**
AND SIGNIFICANT **DICOUNTS**

(CONTINUED) **EMERGENCE OF NEW PLAYERS** FROM ALL SIDES

Changing **CUSTOMER TASTES**
NEW PREMIUM

GOVERNMENT SUPPORT:
full focus on local OEMs
instead of brute-force

IN-SOURCING
of decisive features,
esp. SW

Industry is more
SELF-CONFIDENT

Source: Berylls

What is “New Premium”?

WE HAVE CONDUCTED A SURVEY AMONG CHINESE CONSUMERS TO ANSWER THIS QUESTION

Survey key facts

Survey setup

» Survey from **March/April 2023**

» **1,041 participants**

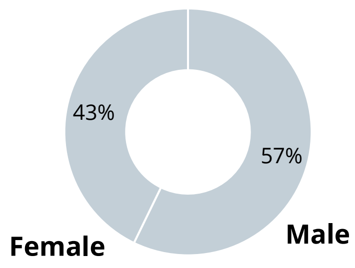
» Focus on **premium brands** only

» Geographical distribution (provinces with most respondents):

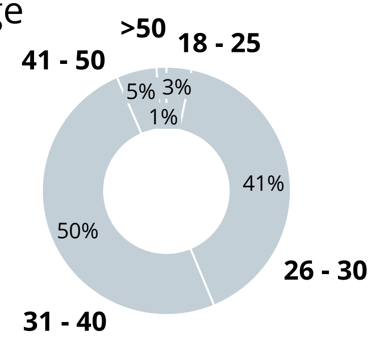
- » North (Beijing & adjacent provinces)
- » Eastern coast (Shanghai, Zhejiang & Jiangsu)
- » South (Guangdong)
- » West (Sichuan)

Survey participants

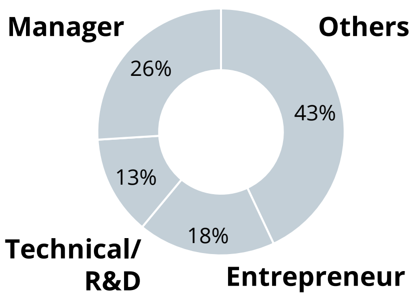
Gender



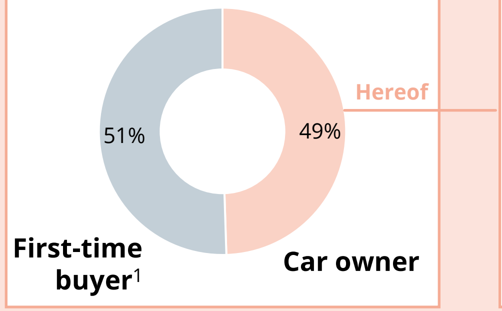
Age



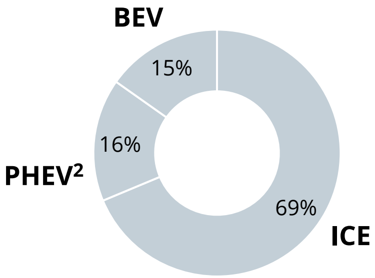
Occupation



Car ownership



Propulsion type



1 With purchasing intention
Source: Berylls

2 PHEV includes EREX, such as Li Auto portfolio

SUMMARY

- Car owners and first-time buyers are different – Chinese new players are **generally more desired** among **first-time buyers**: in BEV Chinese brands **outweigh** German premiums, clearly among **female** customers and customers groups **18 – 25 and >30**
- German premium still dominate in **PHEV**[1]
- The motive for buying German premium is primarily **branding** while for Chinese premium it's mostly **product**; for the age group 26 – 30, Chinese premium **reflects status** just like German premium
- More detailed, **brand legacy** and **reflection of personal status** are the key purchase reason for German premium while that of Chinese premium are **product, service, marketing and being en-vouge**
- Both customers of Chinese and German premium are looking for quite similar product features while Chinese premium customers are more into **smart cockpit and AD/ADAS**
- Looking forward, a significant portion of customers want **tech instead traditional values**
- **The tipping point is reached!**

1 PHEV incl. EREX, e.g., Li Auto portfolio
Source: Berylls

6 PARTS TO FULLY UNDERSTAND NEW PREMIUM

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

Part 5
Future expectations

Part 6
Deep-dive on German premium car-owners

Source: Berylls

CHOICE OF POWERTRAIN AND BRAND

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

Part 5
Future expectations

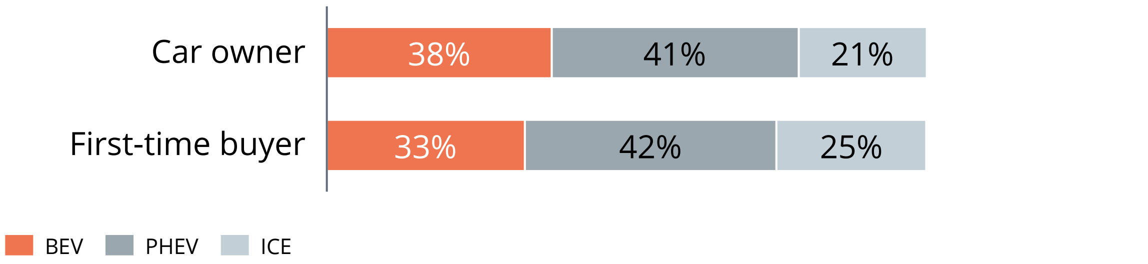
Part 6
Deep-dive on German premium car-owners

Source: Berylls

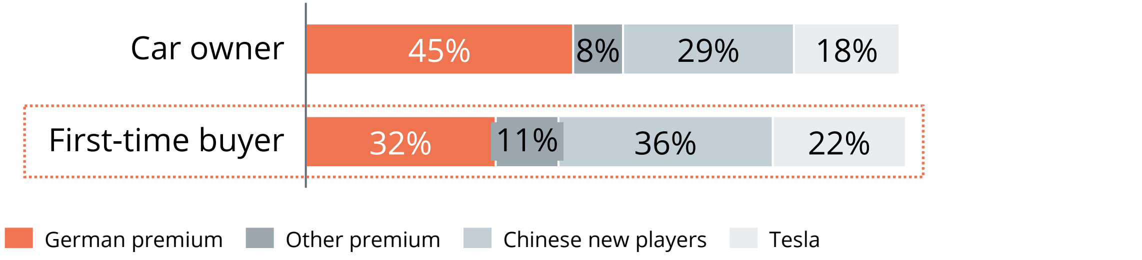
KEY TAKEAWAYS (1/15) – PURCHASE INTENTION: POWERTRAIN AND BRAND TYPE

Except for chapter 6, we focus entirely on car owners and first-time buyers with **BEV purchase intention**

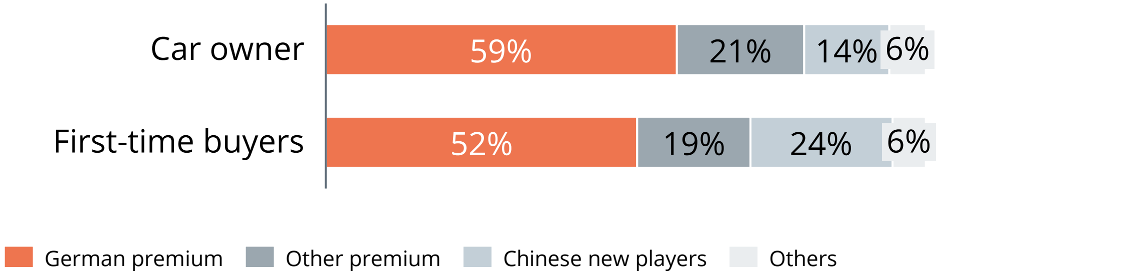
PURCHASE INTENTION NEXT CAR – POWERTRAIN



PURCHASE INTENTION NEXT CAR
BEV



PURCHASE INTENTION NEXT CAR
PHEV

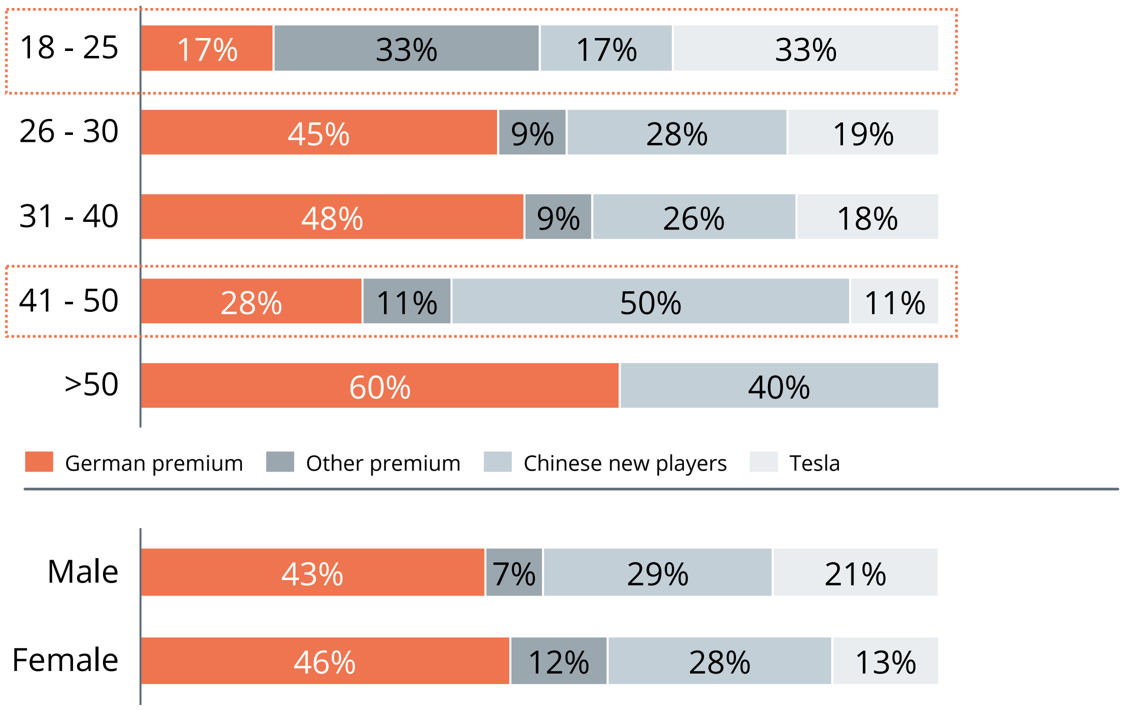


GERMAN PREMIUM BRANDS HAVE LOST THEIR **DOMINANT POSITION** WHEN IT COMES TO BEV, IN PARTICULAR AMONG **FIRST-TIME BUYERS**

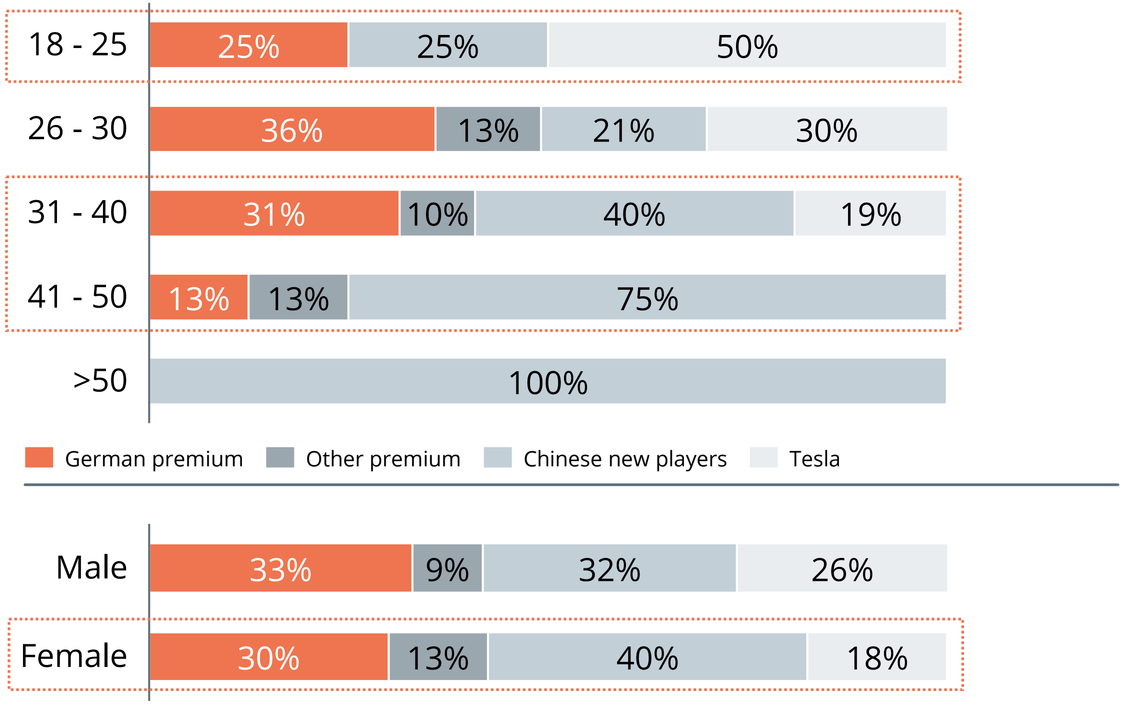
Source: Berylls

KEY TAKEAWAYS (2/15) – BEV BRAND SELECTION BASED ON AGE AND GENDER

CAR OWNER



FIRST-TIME BUYER



THIS IS MOST EVIDENT ACROSS THE AGE GROUPS OF **18 – 25 AND 41 – 50** (CAR OWNERS) AND **18 – 25 AND 31 – 50** (FIRST-TIME BUYERS) AS WELL AS **FEMALE FIRST-TIME BUYERS**

Source: Berylls

MOTIVE FOR CAR PURCHASE

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

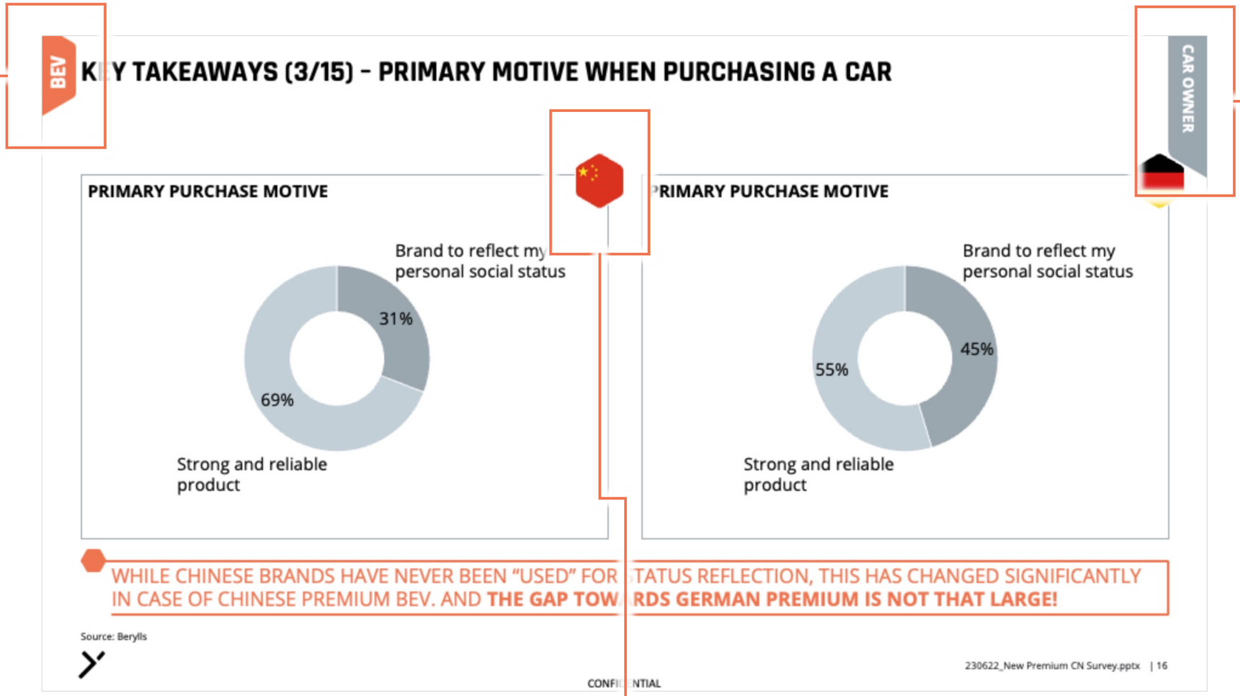
Part 5
Future expectations

Part 6
Deep-dive on German premium car-owners

Source: Berylls

CONVENTION USED WITHIN THE FOLLOWING SECTION

In this excerpt, we completely focus on BEV (with the exception of part 6) and always split between car-owner vs. first-time buyer as well as Chinese new player vs. German premium; focus is put on purchasing next car



BEV focus

Except for part 6, we focus on purchase intention BEV only. This is denoted via the **orange sticker** on the upper-left corner. PHEV data can be provided upon request

Chinese new player vs German premium

We show preferences differentiated with respect to surveyees choosing Chinese new player[1] or German premium. This is denoted via the respective **country flags**

Car-owner vs. first-time buyer

We always distinguish between car-owner and first-time buyer. This is denoted via the **grey or light-grey sticker** on upper-right of each page

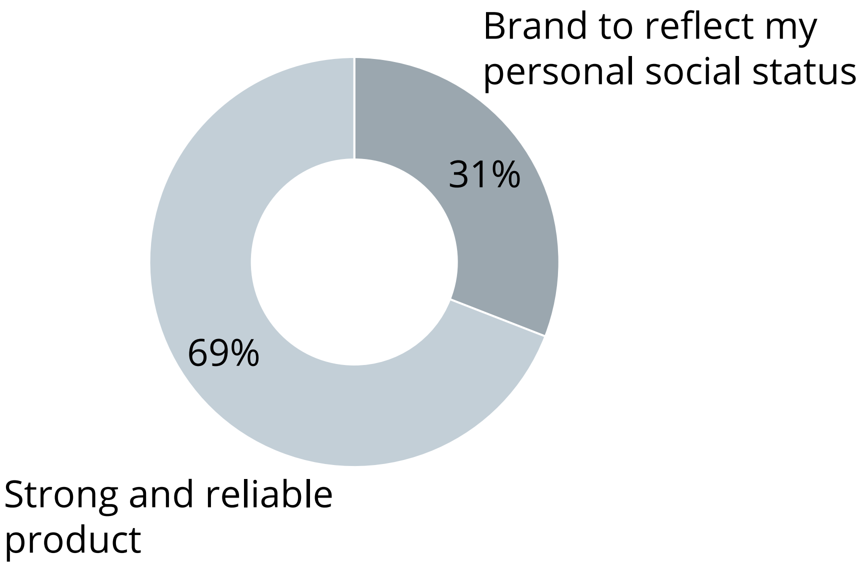
1 In the following sections, we use Chinse new players or Chinese premium BEV interchangeably. We always mean the same type of players, e.g., NIO, Li Auto, HiPhi

Source: Berylls

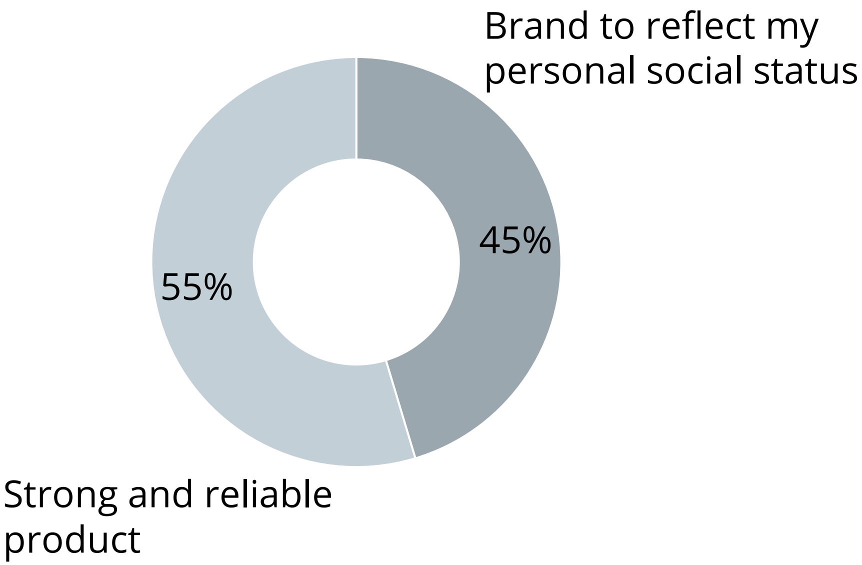
BEV

KEY TAKEAWAYS (3/15) – PRIMARY MOTIVE WHEN PURCHASING A CAR

PRIMARY PURCHASE MOTIVE



PRIMARY PURCHASE MOTIVE



WHILE CHINESE BRANDS HAVE NEVER BEEN "USED" FOR STATUS REFLECTION, THIS HAS CHANGED SIGNIFICANTLY IN CASE OF CHINESE PREMIUM BEV. AND **THE GAP TOWARDS GERMAN PREMIUM IS NOT THAT LARGE!**

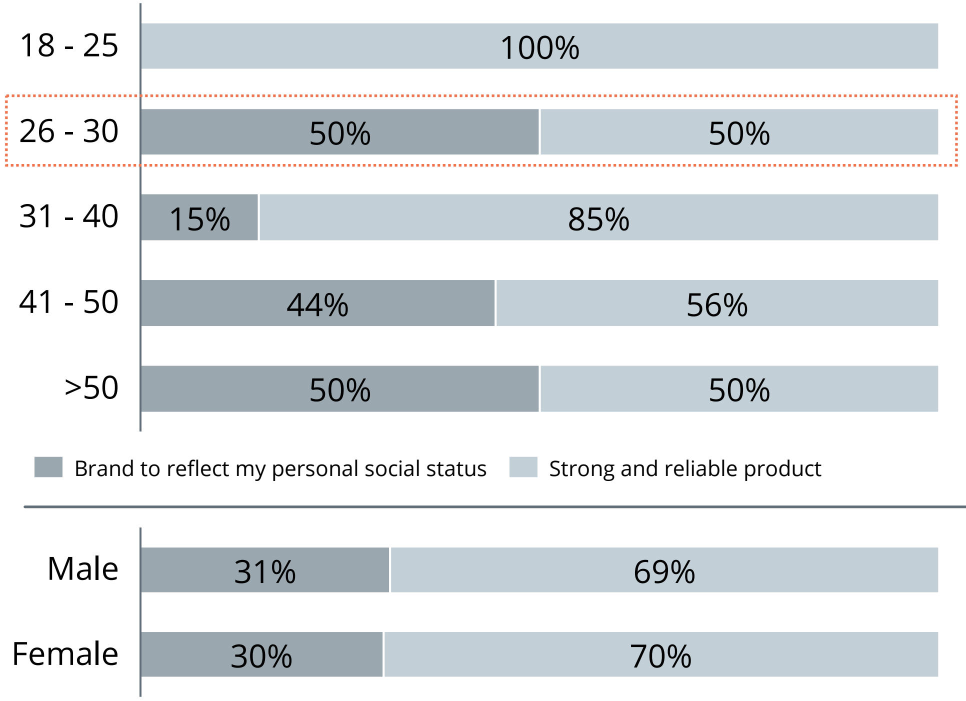
Source: Berylls

BEV

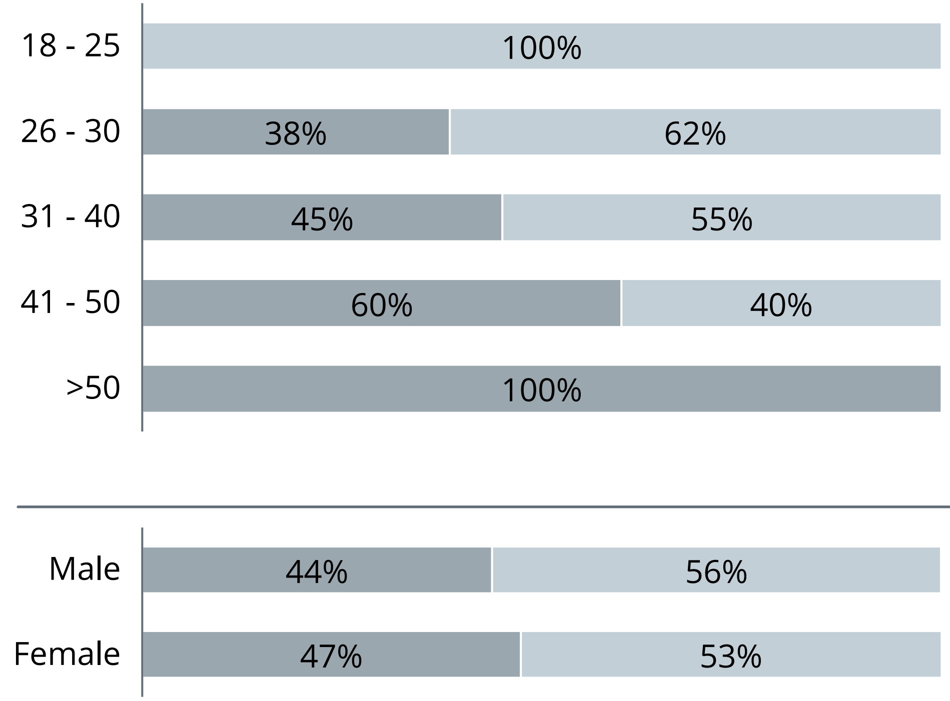
KEY TAKEAWAYS (4/15) – PRIMARY MOTIVE WHEN PURCHASING A CAR BY AGE & GENDER

CAR OWNER

PRIMARY PURCHASE MOTIVE – AGE & GENDER



PRIMARY PURCHASE MOTIVE – AGE & GENDER

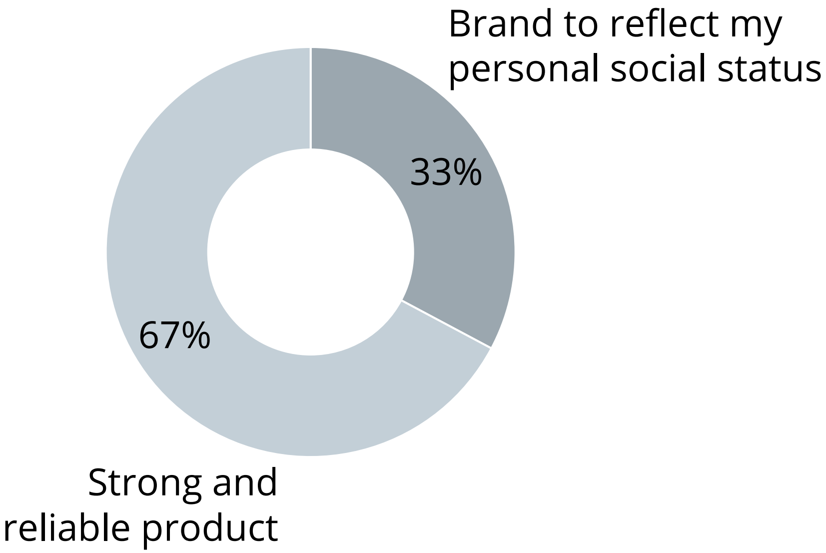


FOR THE AGE GROUP OF 26 – 30 (CAR OWNERS), CHINESE PREMIUM BEV SEEMS TO REFLECT MORE SOCIAL STATUS THAN THEIR GERMAN COUNTERPARTS – **THE TIPPING POINT IS REACHED!**

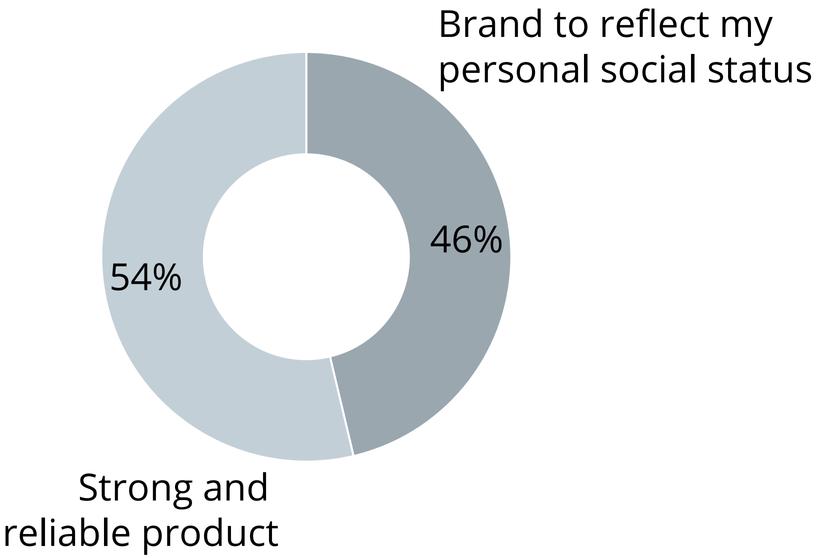
Source: Berylls

KEY TAKEAWAYS (5/15) – PRIMARY MOTIVE WHEN PURCHASING A CAR

PRIMARY PURCHASE MOTIVE



PRIMARY PURCHASE MOTIVE



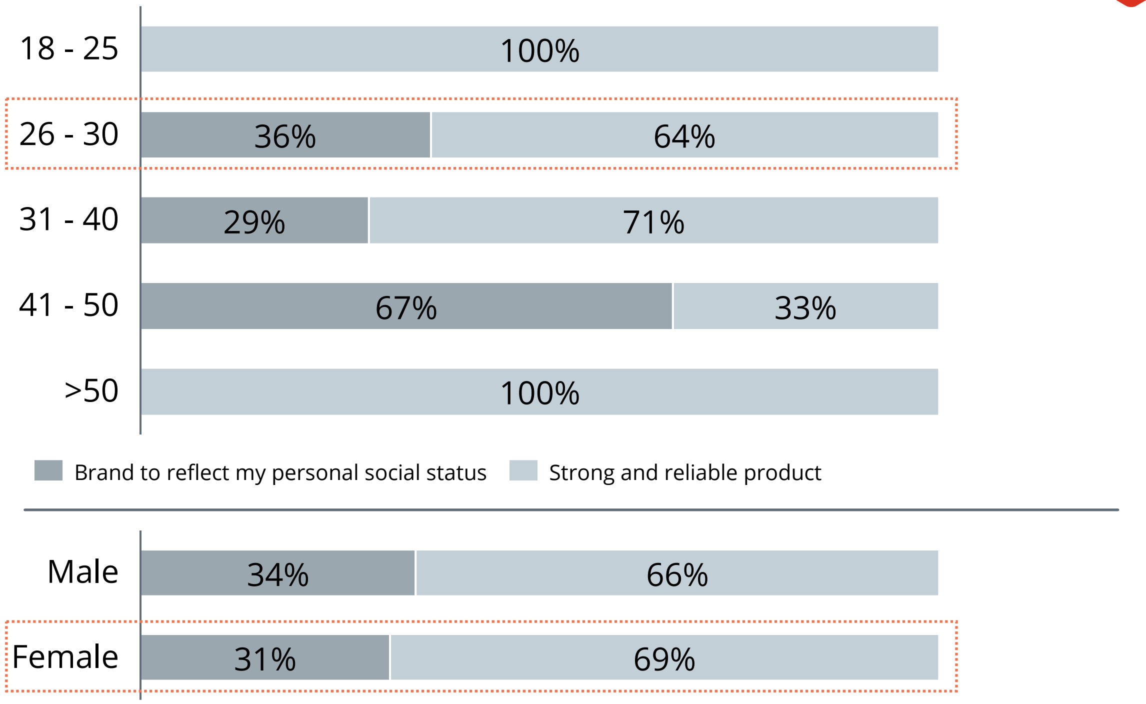
FOR FIRST-TIME BUYERS, THE PRIMARY MOTIVE IS **ALMOST IDENTICAL** TO THAT OF CAR OWNERS

Source: Berylls

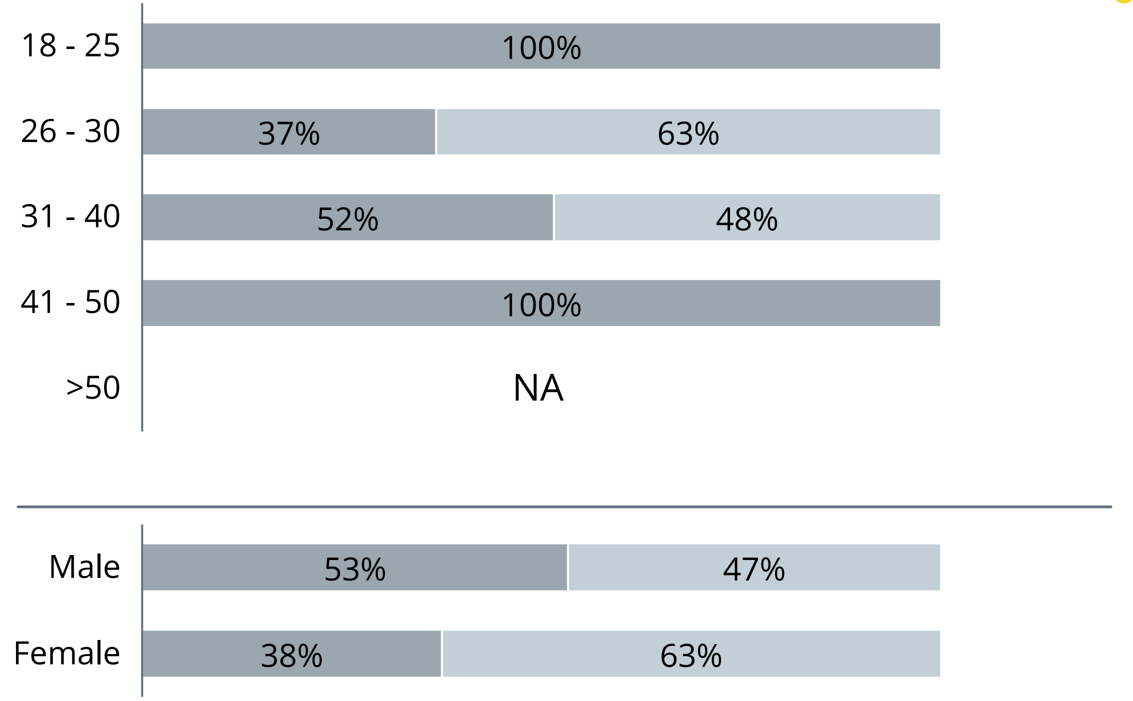
KEY TAKEAWAYS (6/15) – PRIMARY PURCHASE MOTIVE BY AGE & GENDER

For 26 – 30 and female first-time buyers, the status reflection of Chinese premium are already close to that German premium

PRIMARY PURCHASE MOTIVE – AGE & GENDER



PRIMARY PURCHASE MOTIVE – AGE & GENDER



JUST AS CAR OWNERS, FOR AGE GROUP 26 – 30, STATUS REFLECTION OF CHINESE PREMIUM IS ALREADY **CLOSE** TO THAT OF GERMAN PREMIUM WHILE THE GAP AMONG FEMALES IS **CLOSING – THE TIPPING POINT IS REACHED!**

Source: Berylls

RATIONALE FOR CHOOSING BRAND

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

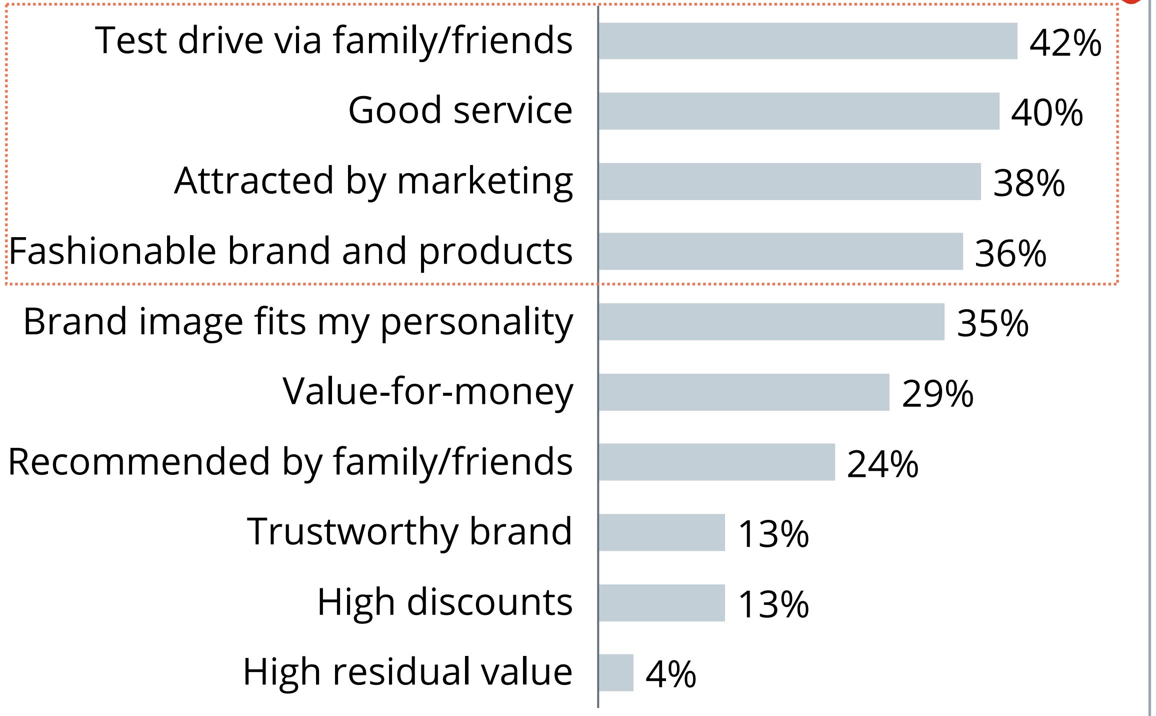
Part 5
Future expectations

Part 6
Deep-dive on German premium car-owners

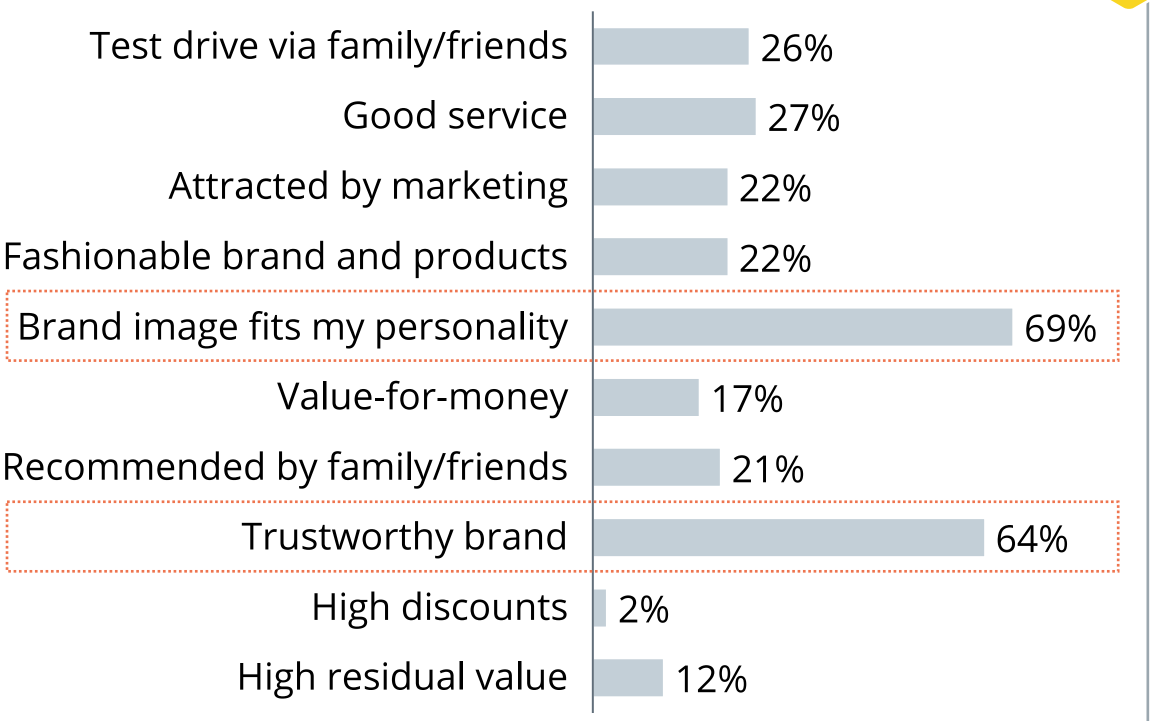
Source: Berylls

KEY TAKEAWAYS (7/15) – REASONS FOR CHOOSING BRAND

REASONS FOR CHOOSING BRAND



REASONS FOR CHOOSING BRAND

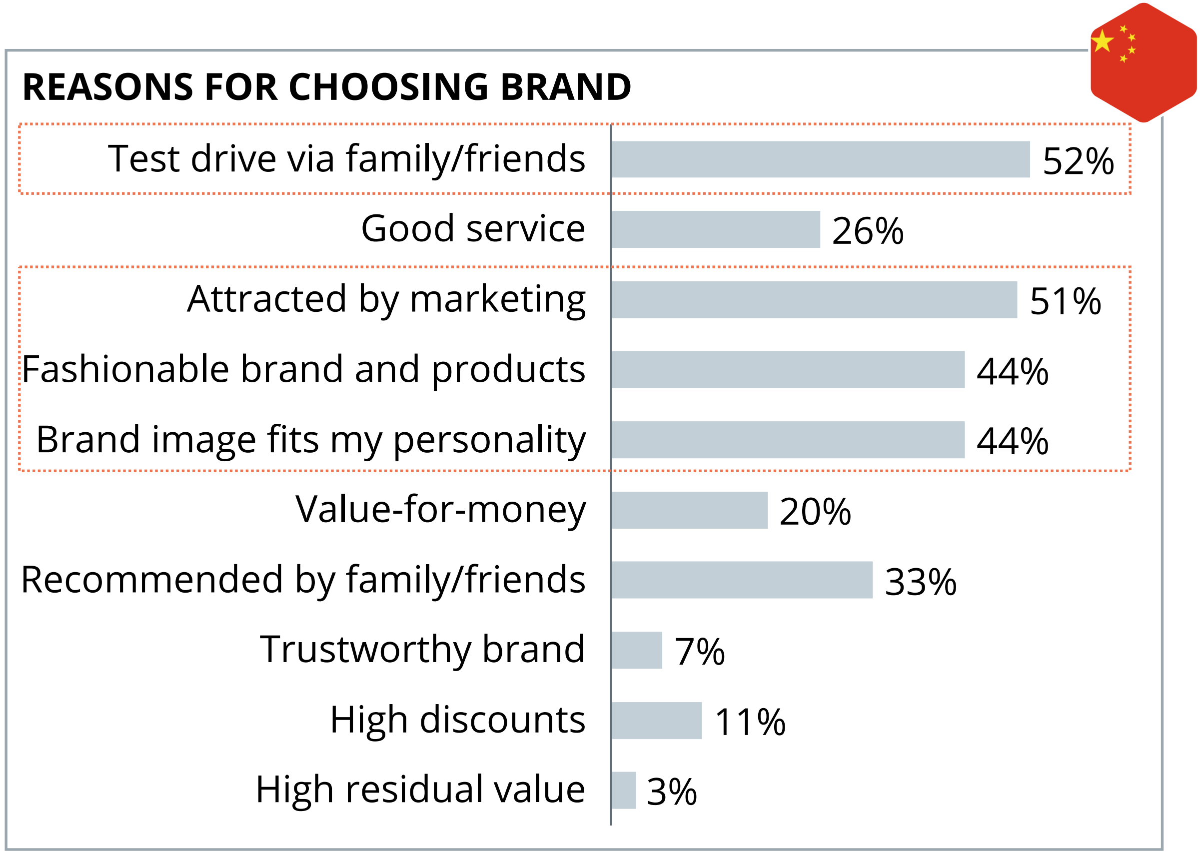


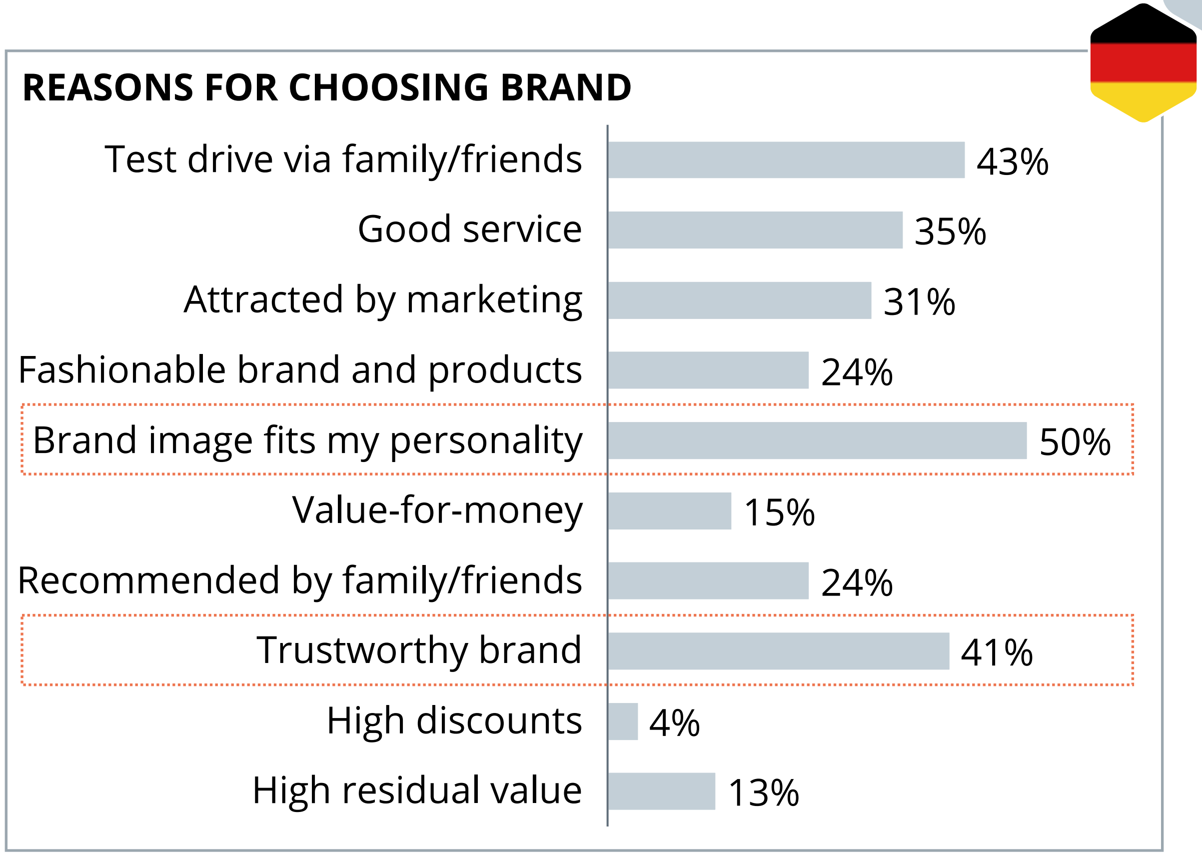
TEST DRIVE, SERVICE, MARKETING AND BEING FASHIONABLE ARE THE MAIN FACTORS TO CHOOSE CHINESE BRANDS. FOR GERMAN PREMIUM THE DECISIVE FACTORS ARE **BRANDING RELATED**

Source: Berylls

BEV

KEY TAKEAWAYS (8/15) – REASONS FOR CHOOSING BRAND





FOR FIRST-TIME BUYERS, THE **BRANDING GAP NARROWS** EXCEPT FOR LEGACY ISSUE – AN OBSERVATION IN-LINE WITH FINDINGS 3 – 6. FIRST-TIME BUYERS WILL BE A **KEY BATTLEFIELD** FOR GERMAN PREMIUM OEMS!

Source: Berylls

PRODUCT FEATURES FOR PURCHASE DECISION

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

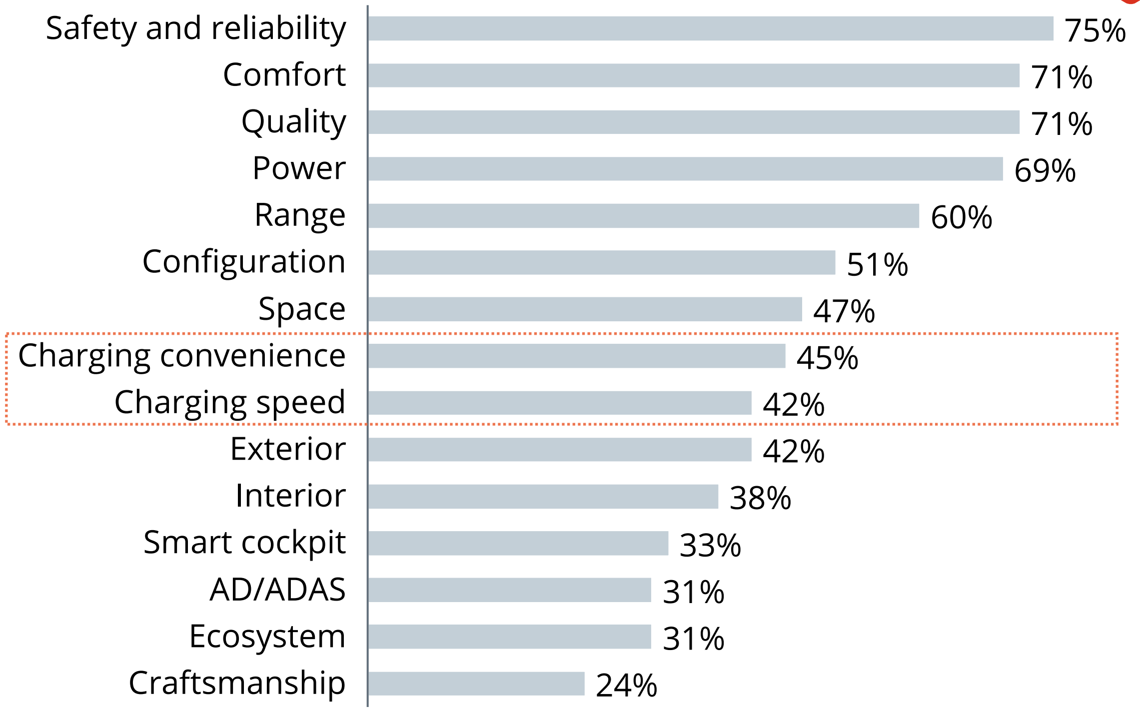
Part 5
Future expectations

Part 6
Deep-dive on German premium car-owners

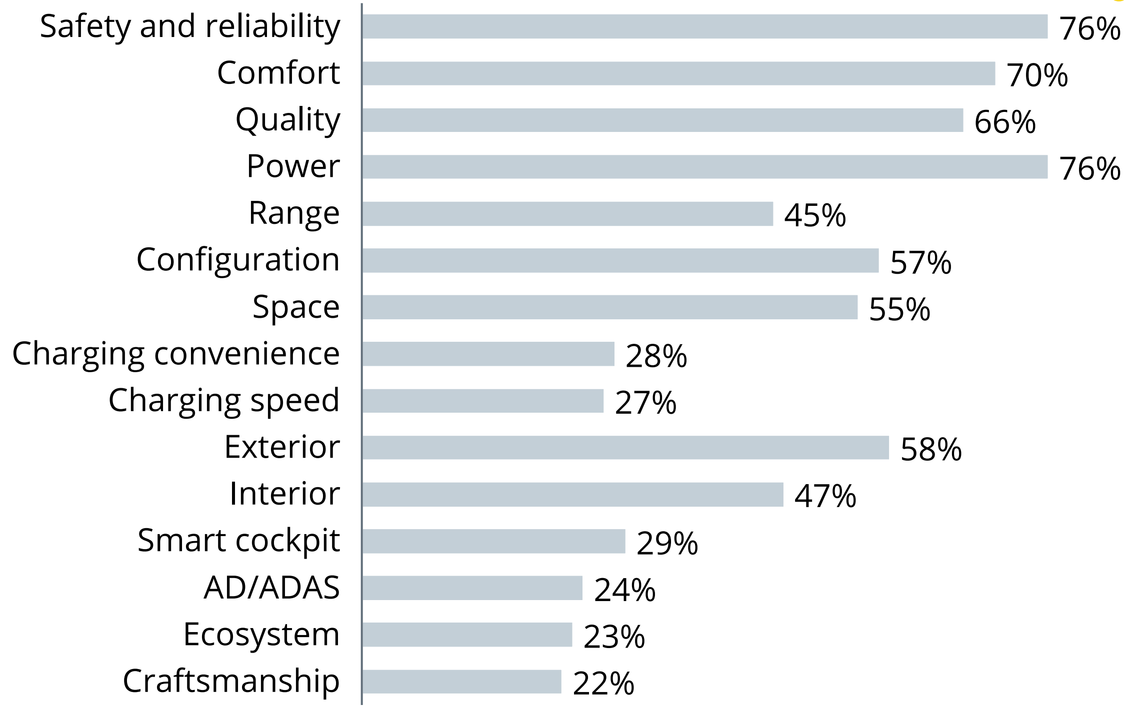
Source: Berylls

KEY TAKEAWAYS (9/15) – KEY PRODUCT FEATURES FOR PURCHASE DECISION

KEY PRODUCT FEATURES FOR PURCHASE DECISION



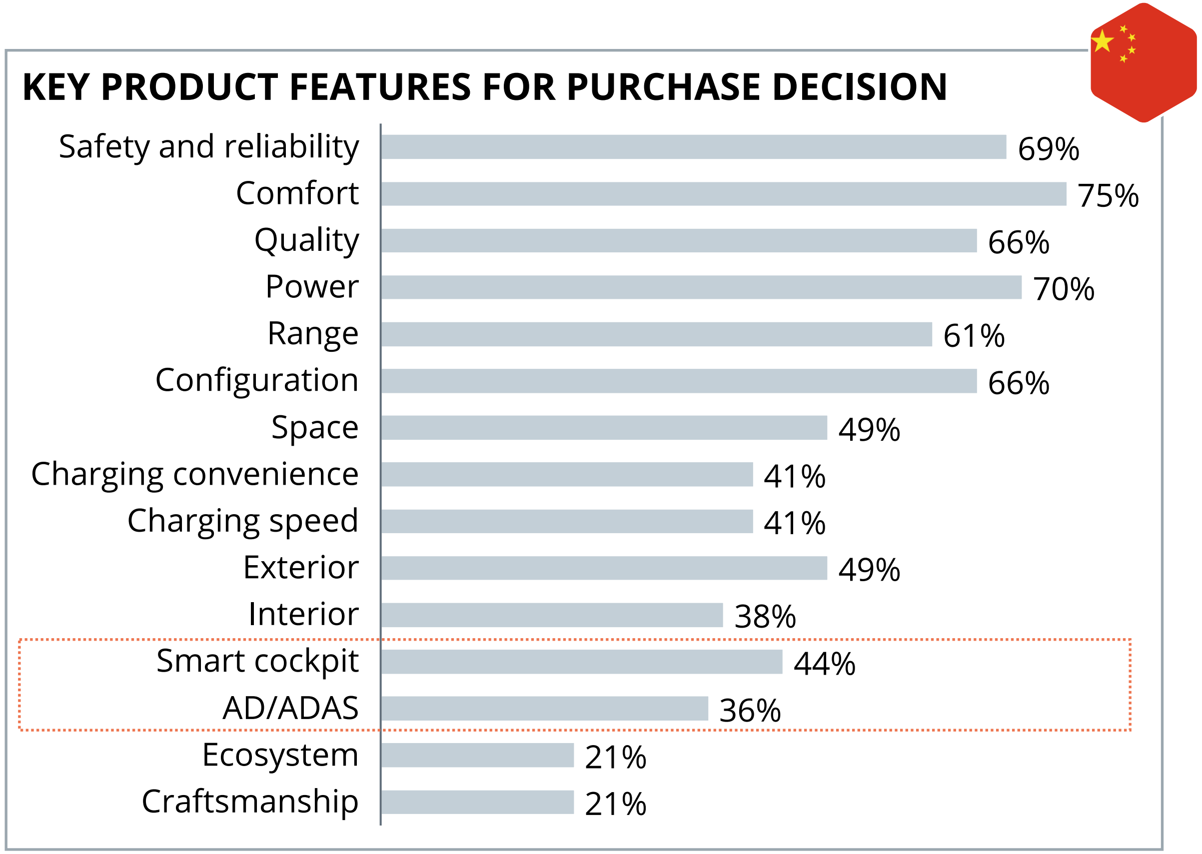
KEY PRODUCT FEATURES FOR PURCHASE DECISION

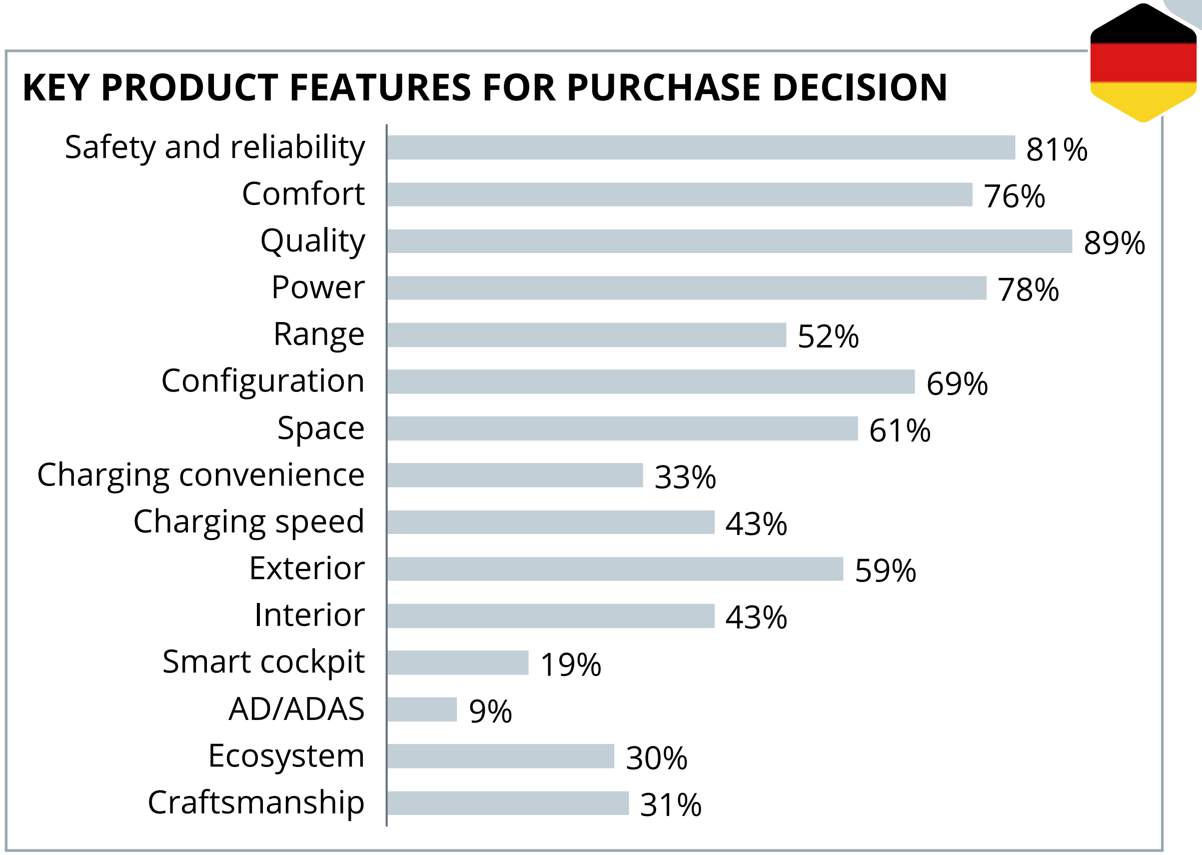


IN **"TRADITIONAL VIRTUES"**, CHINESE PREMIUM BEV SEEM TO BE **JUST AS GOOD** (OR EVEN BETTER, SEE QUALITY) AS THEIR GERMAN COUNTERPARTS. THESE CUSTOMERS ALSO ATTACH MORE IMPORTANCE TO **CHARGING**

Source: Berylls

KEY TAKEAWAYS (10/15) – KEY PRODUCT FEATURES FOR PURCHASE DECISION





FOR FIRST-TIME BUYERS, CHINESE NEW PLAYERS ARE THE GO-TO BRANDS WHEN THEY ATTACH IMPORTANCE TO **SMART COCKPIT AND AD/ADAS** WHILE GERMAN PLAYERS STILL HAVE ADVANTAGES IN "**TRADITIONAL VALUES**"

Source: Berylls

FUTURE EXPECTATIONS

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

Part 5
Future expectations

Part 6
Deep-dive on German premium car-owners

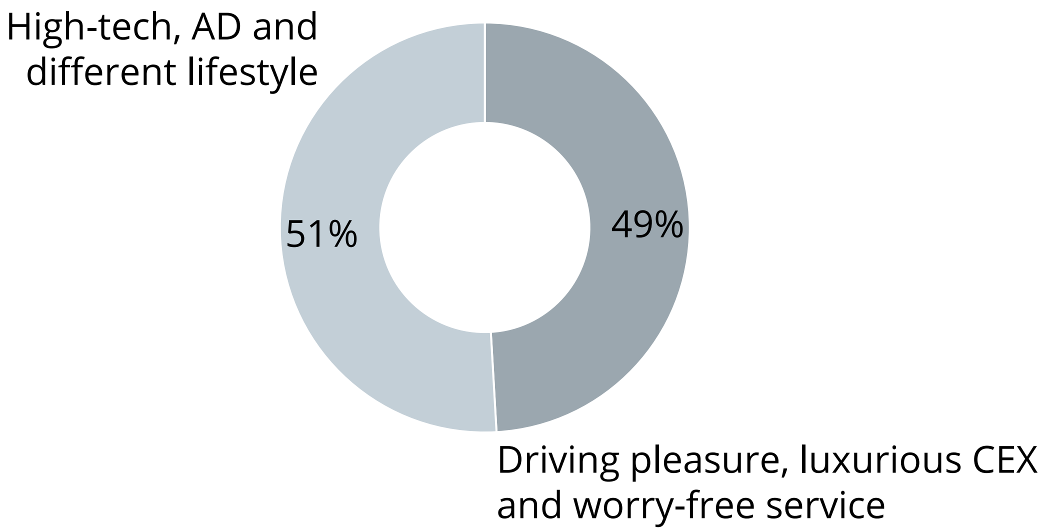
Source: Berylls

BEV

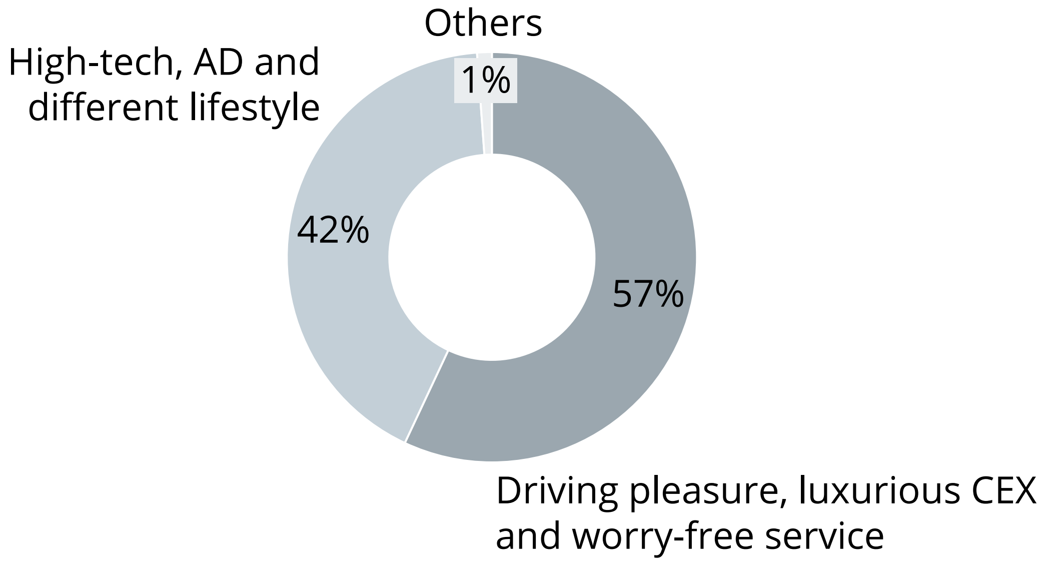
CAR OWNER

KEY TAKEAWAYS (11/15) – FUTURE EXPECTATIONS FOR PREMIUM BRAND/PRODUCT

FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT



FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT

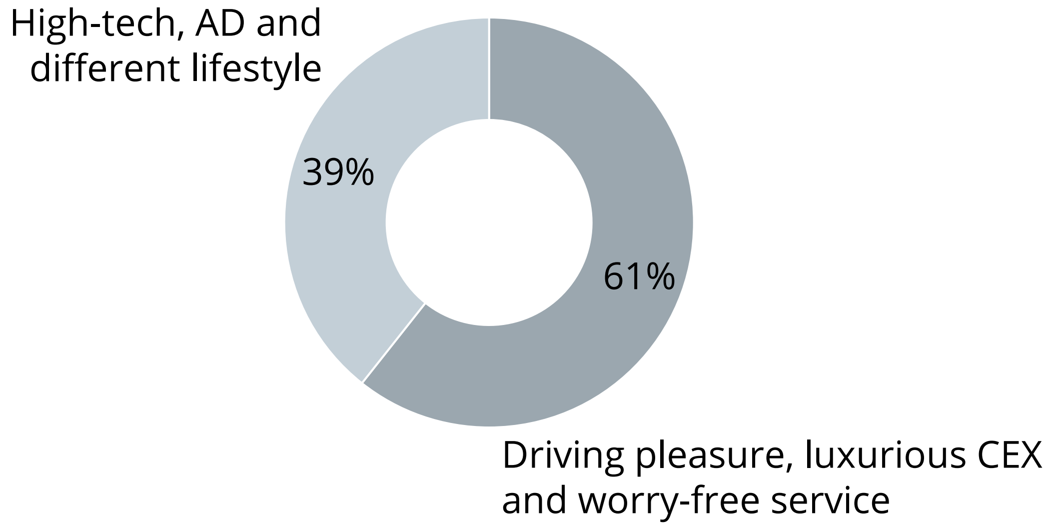


THOSE WHO BUY CHINESE PREMIUM ARE CERTAINLY **MORE INTERESTED IN TECH** THAN THEIR GERMAN COUNTERPARTS – A TYPICAL EXPRESSION OF WISHING FOR **MORE RELAXED DRIVING** WHILE IN HEAVY TRAFFIC

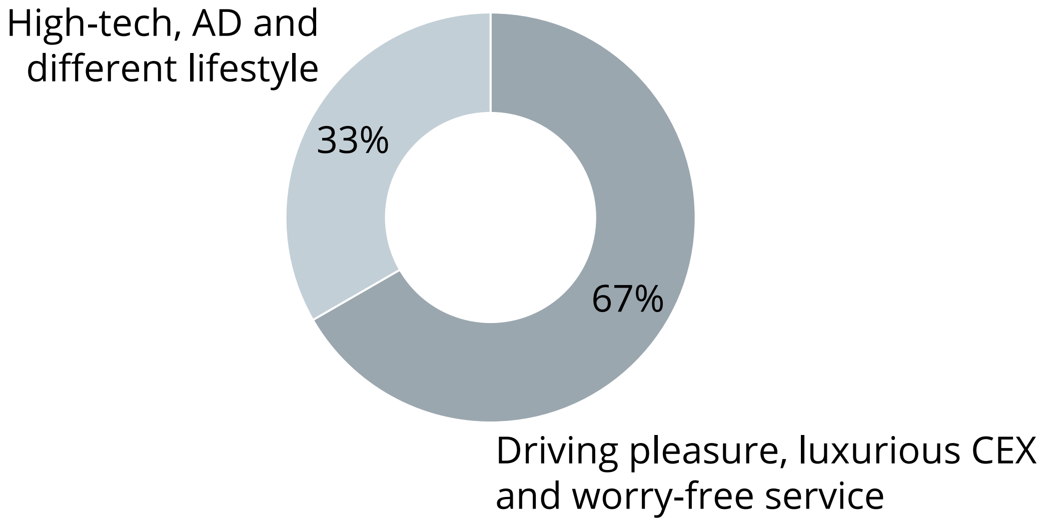
Source: Berylls

KEY TAKEAWAYS (12/15) – FUTURE EXPECTATIONS FOR PREMIUM BRAND/PRODUCT

FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT



FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT



AMONG FIRST-TIME BUYERS, EXPECTATIONS ARE SIMILAR AMONG CHINESE AND GERMAN PREMIUM CUSTOMERS SIGNALLING THAT COMPETITION FOR FIRST-TIME WILL BE **VERY FIERCE** – IN LINE WITH FINDINGS 3 – 6 AND 8

Source: Berylls

DEEP-DIVE ON GERMAN PREMIUM CAR-OWNERS

Part 1
Choice of powertrain and brand

Part 2
Motive for car purchase

Part 3
Rationale for choosing brand

Part 4
Product features for purchase decision

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Future expectations

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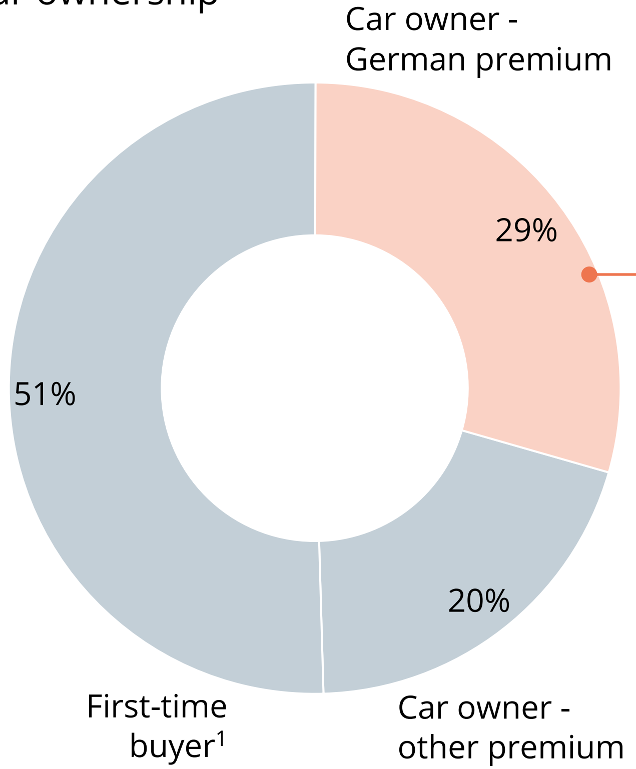
Deep-dive on German premium car-owners

Source: Berylls

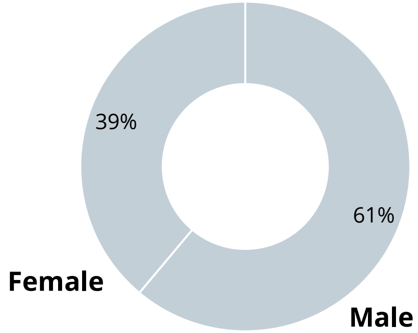
GERMAN PREMIUM CAR OWNERS (1/2) – KEY FACTS

Car ownership

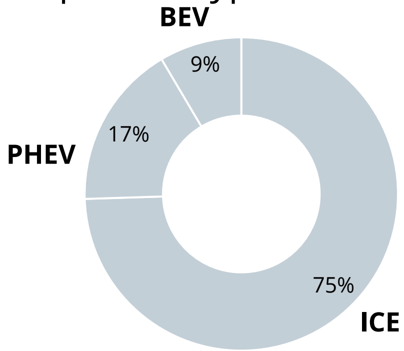


Deep-dive owners of German premium

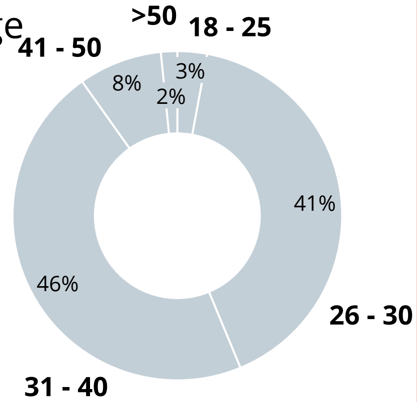
Gender



Propulsion type



Age

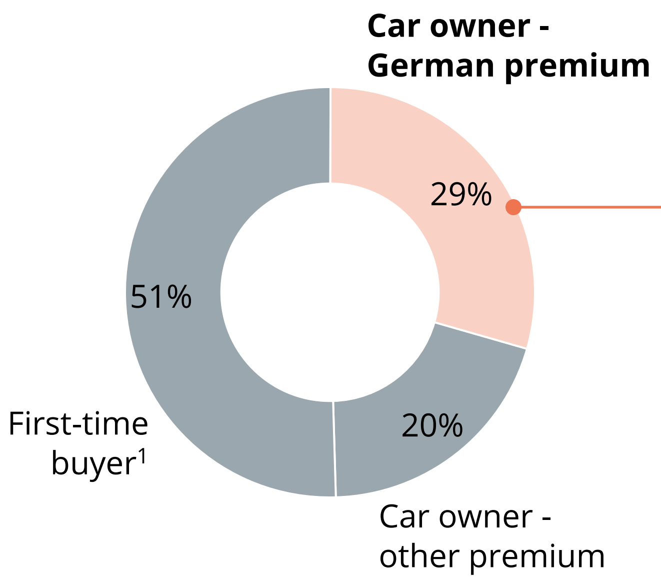


1 With purchase intention
Source: Berylls

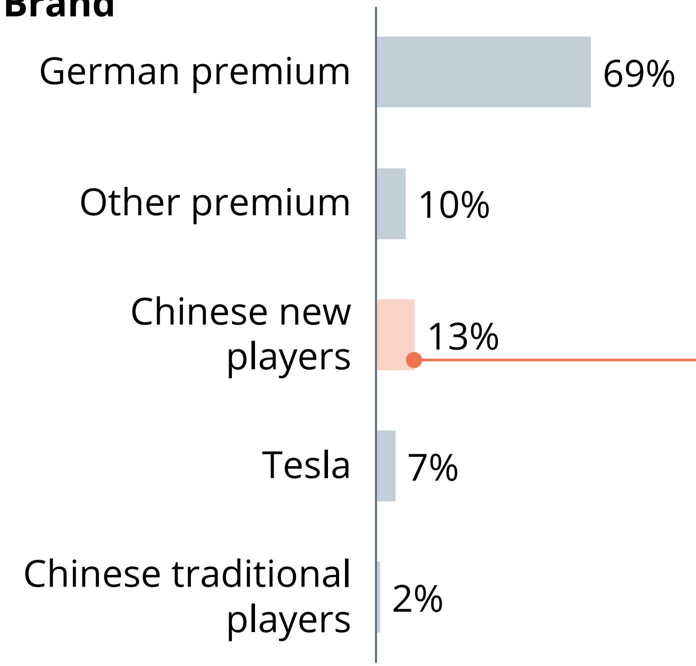
GERMAN PREMIUM CAR OWNERS (2/2) – NEXT CAR PURCHASE INTENTION

Only 13% of these car-owners would switch to Chinese new players

CAR OWNER

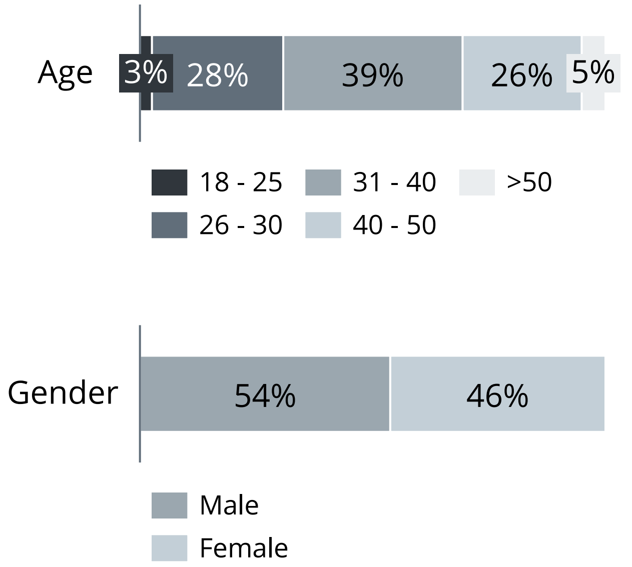


PURCHASE INTENTION NEXT CAR



PURCHASE INTENTION NEXT CAR

Chinese new player breakdown by age and gender

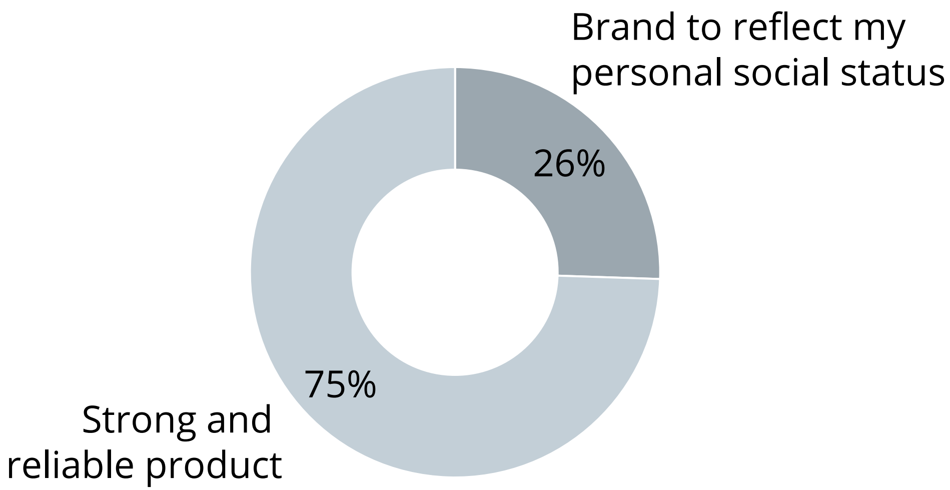


GERMAN PREMIUM CAR OWNERS ARE **LARGELY LOYAL** WITH 70% STAYING WITH GERMAN PREMIUM

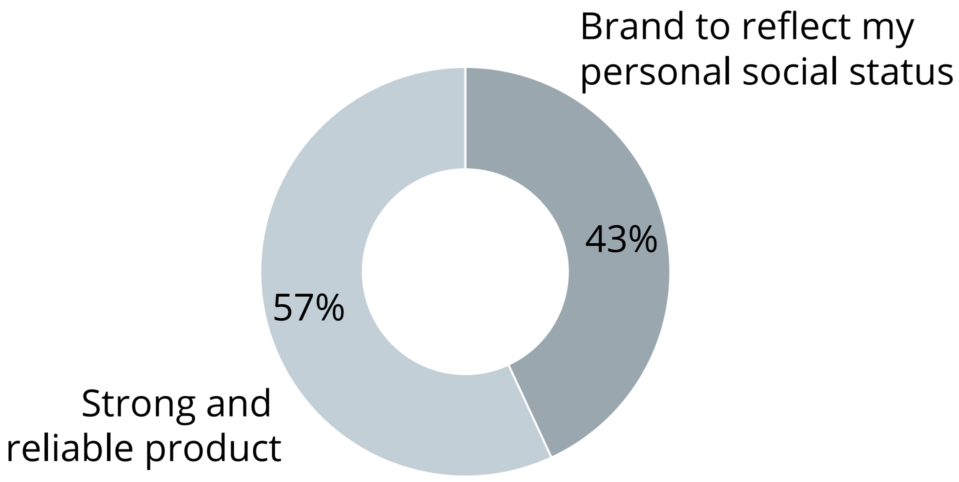
Source: Berylls

KEY TAKEAWAYS (13/15) – MOTIVE FOR GERMAN PREMIUM CAR OWNER TO PURCHASE A CAR

PRIMARY PURCHASE MOTIVE



PRIMARY PURCHASE MOTIVE



CLEARLY, THE PURCHASE MOTIVE FOR CHINESE NEW PLAYERS IS MOSTLY **PRODUCT FOCUSED**, FAR MORE THAN THE OVERALL SURVEYED GROUP. **A DANGEROUS DEVELOPMENT!**

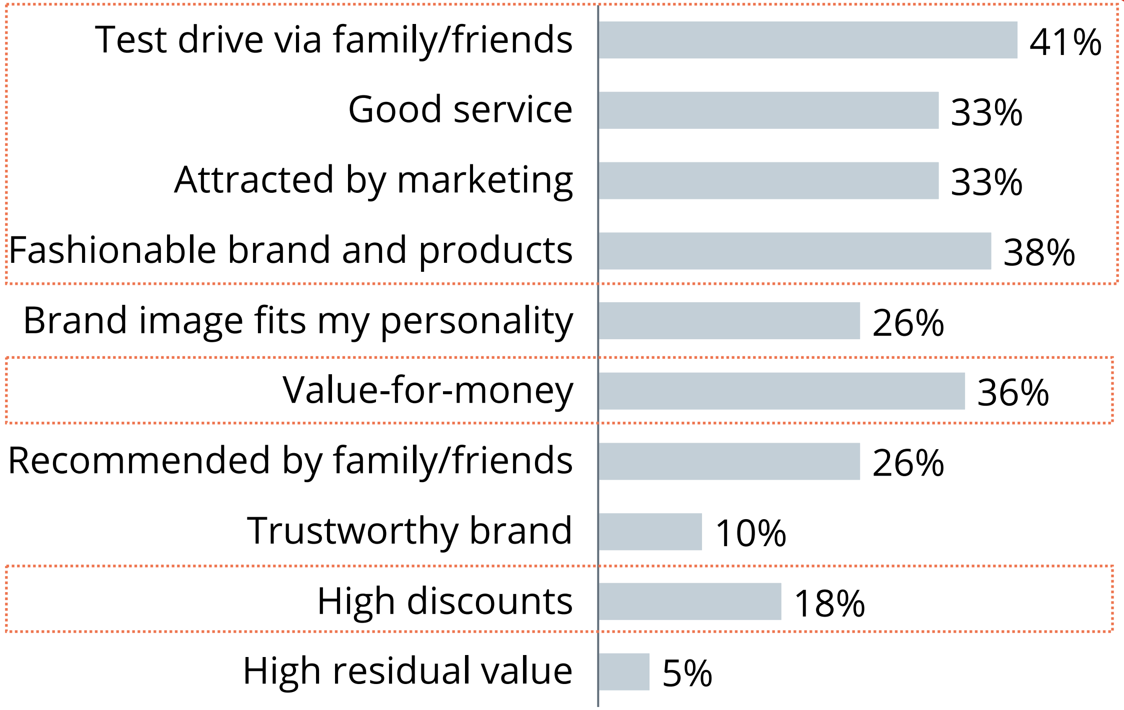
Source: Berylls

BEV & PHEV

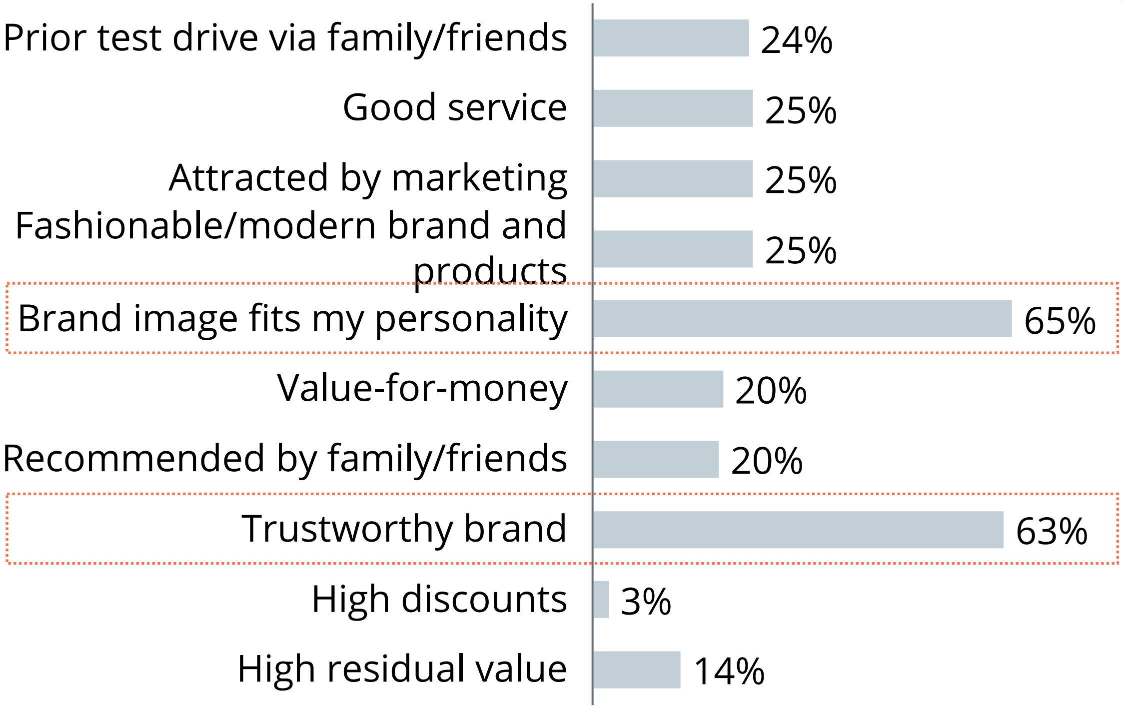
KEY TAKEAWAYS (14/15) – REASONS FOR CHOOSING BRAND

GERMAN PREIUM CAR OWNER

REASONS FOR CHOOSING BRAND



REASONS FOR CHOOSING BRAND

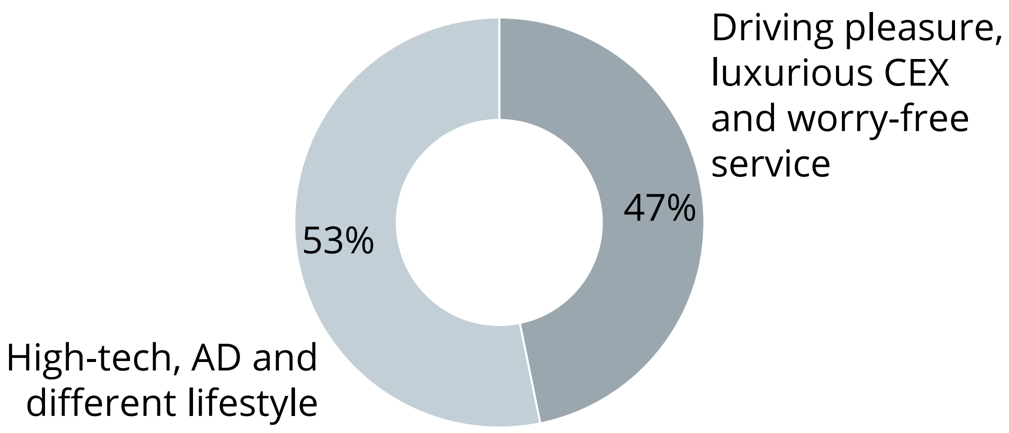


SIMILAR TO THE ENTIRE SURVEY GROUP, GERMAN PREMIUM CAR-OWNERS SWITCH TO CHINESE BRAND BECAUSE OF **PRODUCT, SERVICE, MARKETING AND BRANDING** AS WELL AS **VALUE-FOR-MONEY** AND **DISCOUNTS**

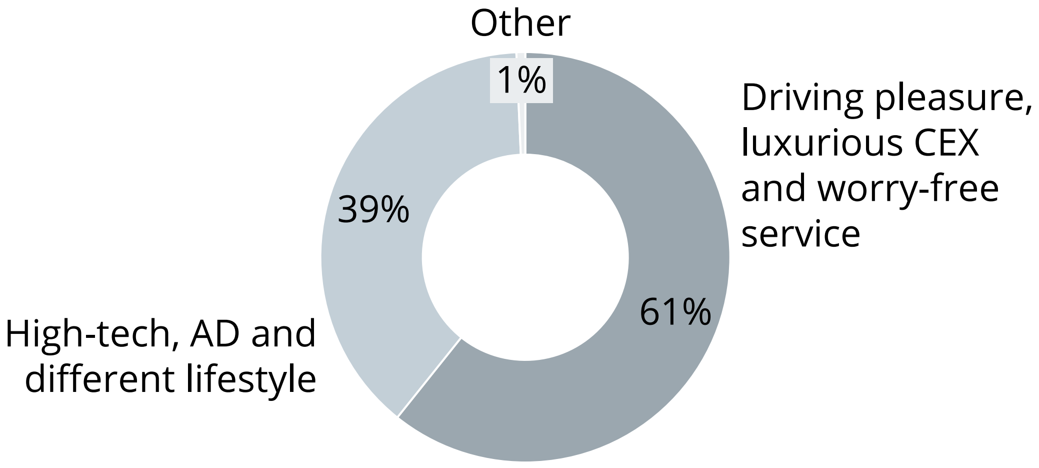
Source: Berylls

KEY TAKEAWAYS (15/15) – FUTURE EXPECTATIONS

FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT



FUTURE EXPECTATIONS TOWARDS PREMIUM BRAND/PRODUCT



FOR GERMAN PREMIUM CAR-OWNERS SWITCHING TO CHINESE BRANDS, THE MAJORITY OF EXPECTATION IS **TECH AND ASSOCIATED ATTRIBUTES**

Source: Berylls

WHAT DOES THIS ALL MEAN? IMPLICATIONS FOR TRADITIONAL GERMAN OEMS

OEMs have to adapt more to Chinese needs and be closer to the Premium/Luxury customers

- China is different and must be **treated differently**
- While relying on its brand heritage and legacy, German OEMs must **focus on product** to remain relevant
- These are, in particularly, **AD/ADAS, smart cockpit and e-mobility** features
- All these must be marketed in **China-specific ways**, especially leveraging the **community notion**

Source: Berylls

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