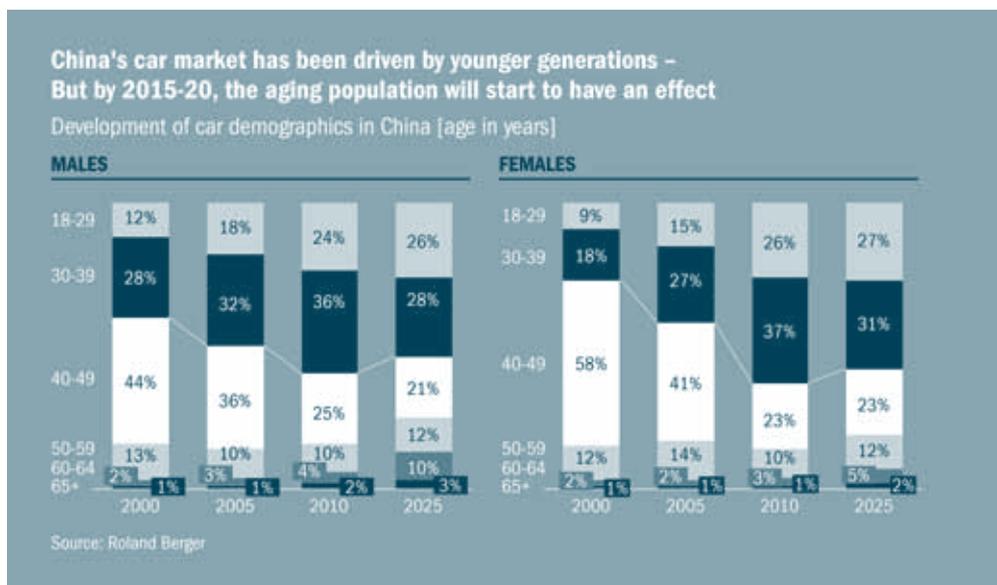


Automotive landscape 2025

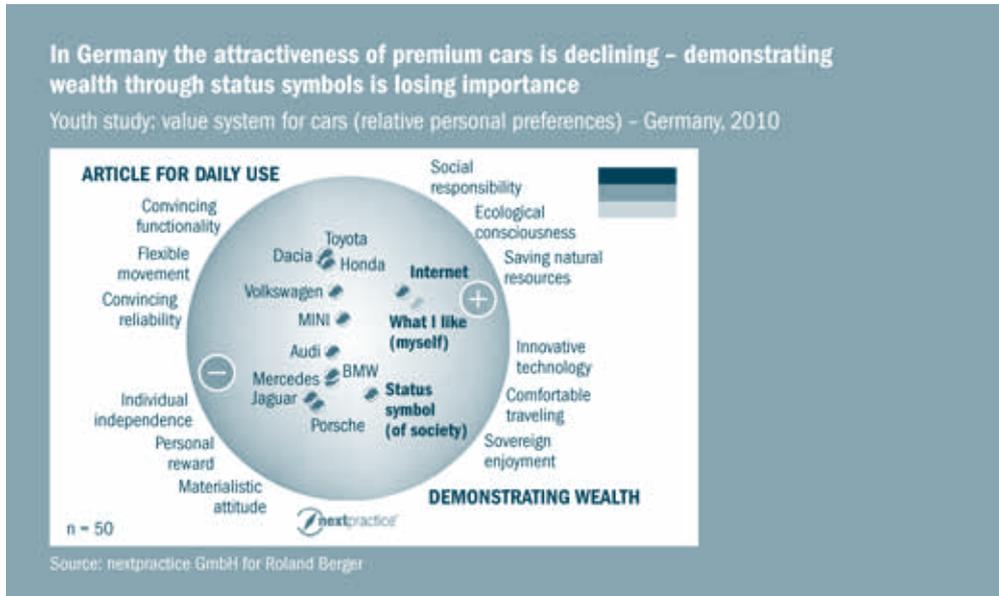
Opportunities and challenges ahead

The trend toward demotorization is also beginning to manifest itself in emerging markets. In China, the car market over the last decade has been driven by the younger generation. The market share of male car owners under 39 ballooned from 40% to 60% from 2000 to 2010. Growth in female car owners was even stronger, their share rising from 27% to 63%. This trend will continue until 2015 or 2020, when the aging population factor will kick in. In 2025 the share of car owners under 39 will fall back to 54% for men and 58% for women.

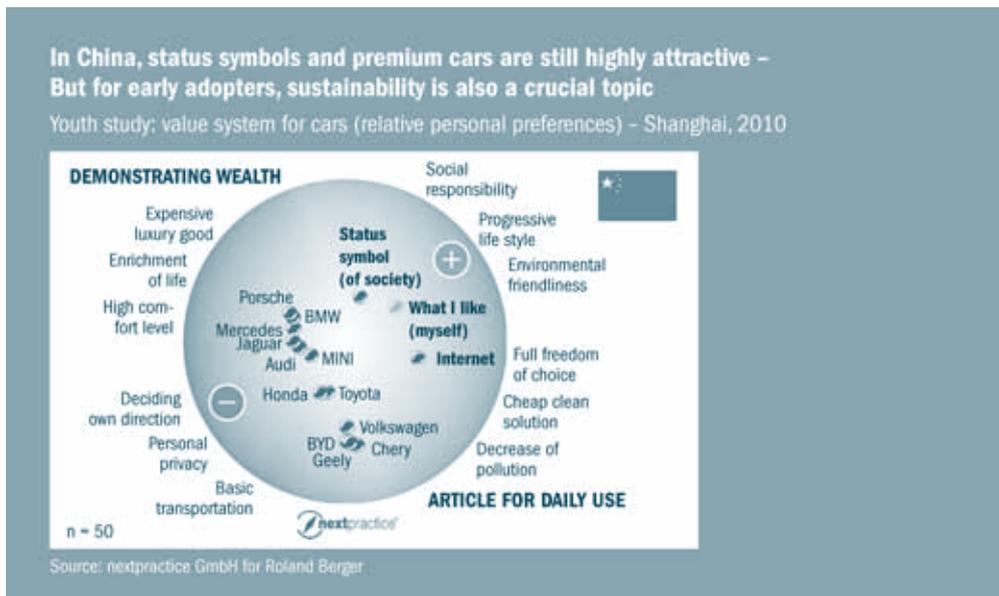


These projections of car ownership shares among younger generations were backed up by primary market research on the values and preferences of people aged 18-29 conducted by Nextpractice GmbH on behalf of Roland Berger in October 2010. The survey took place in Germany and Shanghai (considered an indication of future developments in the whole of China).

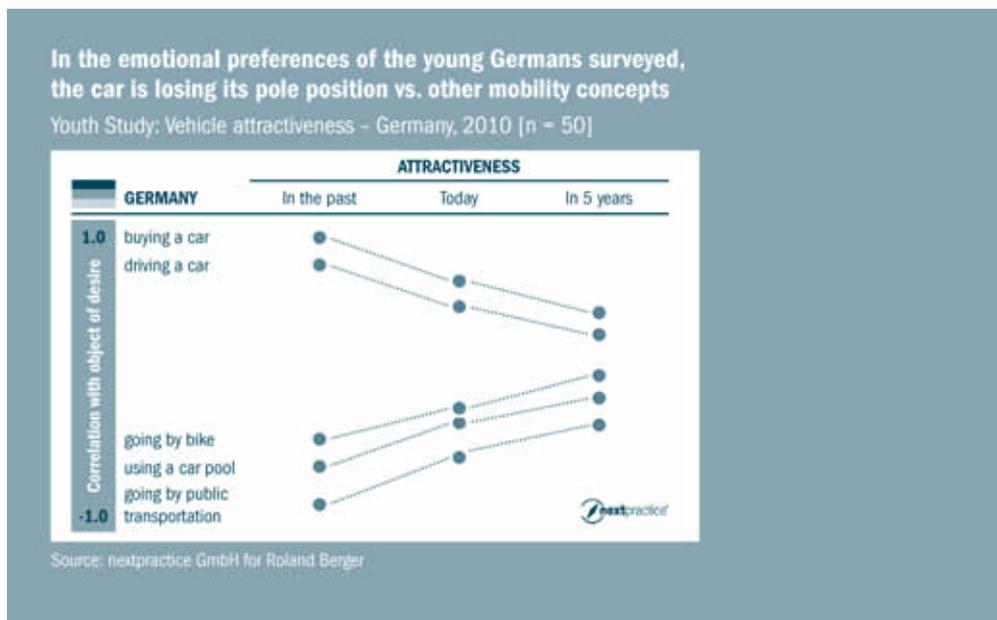
The survey results for Germany show that young people's preferences are changing. Premium cars are no longer the ultimate objects of desire. They are perceived as self-centered and associated with a materialistic attitude. Demonstrating wealth by means of status symbols is becoming less important for Germans under 29. The Internet for example is far closer to personal preferences than cars in general.



In Shanghai, younger people are still highly attracted to status symbols. This applies particularly to premium cars as opposed to domestic brands such as Geely or Cherry, which are seen more as a means of basic transportation. However, social responsibility and ecological sustainability are already just as important in Shanghai as in Germany. The Internet is viewed as a form of smart mobility, closely related to the dimensions "full freedom of choice" and "cheap clean solutions". Shanghai, of course, is progressive and it may take some time until this change reaches a larger section of Chinese society.



Developments in Germany appear to be more advanced than in Shanghai. Looking at changes in attractiveness over time, it is clear that cars are ceding their top slot in the emotional preferences of young Germans to other mobility concepts. Thus the dimensions "buying a car" and "driving a car" are rapidly losing attractiveness while alternative mobility concepts such as "going by bike", "using a car pool" or "going by public transportation" are strengthening their competitive position. Within five years, the gap between the two groups will be very small.

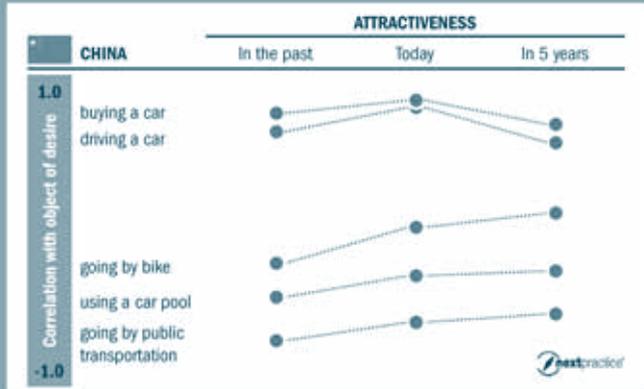


The results from the survey from Shanghai shows that young people under 29 are likely to follow the German pattern of changing preferences, albeit with a time lag. For the young Chinese people interviewed, the car's position is still strengthening in their emotions. However, in the near future they predict that cars will start to lose attractiveness and "going by public transportation", "using a car pool" and "going by bike" will gain ground.

Interestingly, in both Germany and Shanghai the bike and the (e-)bike was rated as a more attractive alternative mobility concept than car pools or public transport.

Young people from Shanghai are expected to follow the Germans in development of preferences: Cars become less attractive

Youth Study: Vehicle attractiveness – Shanghai, 2010 [n = 50]



Source: nextpractice GmbH for Roland Berger

As values change, purchasing patterns are moving away from conspicuous consumption and toward conscious consumption. This is resulting in a sizeable upswing for smaller cars in terms of body and engine size as a share of overall sales. Over the last five years, the A/B segment in particular developed much better than any other segment. Indeed, it is expected to show the highest growth rates of any vehicle segment by 2025. Why should this be so? For developed countries, the main factor is the better fuel efficiency of the cars in this segment. In addition, they offer greatly enhanced passive safety. The features and options available were until recently only found in bigger cars. The driving experience has been improved. A/B segment vehicles have also grown steadily in size over time. And finally, in developing markets – which account for the majority of growth – price is a key driver for purchase. For the first time car ownership is within people's reach.