

Quality Perception Gap Emerges in Chinese Auto Consumer Market, J.D. Power Finds

BMW Emerges as Most Desirable Manufacturer among Consumers in China Who Intend to Buy New Vehicles Within Next 12 Months

SHANGHAI and DETROIT: 23 May 2016 — A perception gap has emerged among Chinese auto consumers when it comes to automobile quality. According to the J.D. Power 2016 China New-Vehicle Intender StudySM (NVIS), released today, 12 auto brands that have been flagged as having a low perception of quality among prospective buyers have actually been found to score highly in the J.D. Power 2015 China Initial Quality StudySM (IQS). Conversely, seven brands that have a high perception of quality among prospective buyers have scored poorly in J.D. Power's owner-focused quality study.

The China NVIS, now in its eighth year, is designed to provide automakers with key consumer insights by examining brand awareness, brand perception, make and model consideration, purchase consideration and information sources, as well as perceptions of various models among new-vehicle intenders. New-vehicle intenders are defined as consumers who intend to purchase a new passenger vehicle within the next 12 months.

"The dichotomy forming between brands that have a low perceived level of quality among purchase intenders but a very high level of actual quality among vehicle owners is a significant challenge for manufacturers in China," said **Geoff Broderick, vice president and general manager, Asia Pacific Operations, J.D. Power**. "As we've seen repeatedly, good reputation is the first consideration over the past two years when consumers purchase a car; if the real-world experience does not match up with their expectations, it could create lasting problems for brands."

Following are the some key findings in the 2016 study:

- **Quality Perception Gap Between Owners and Intenders Emerges:** Among the 50 brands covered in the study, 12 brands are perceived as having low vehicle quality by intenders, whereas in the 2015 China Initial Quality Study—which measures new-vehicle quality by examining the problems experienced by owners within the first 2-6 months of ownership—those brands are found to have high quality as evaluated by owners. Meanwhile, seven brands are perceived as having high quality by intenders, but as having low quality by actual owners.
- **40% of Intenders Express Interest in New-Energy Vehicles (NEVs):** China's NEV market is developing rapidly. China's 13th five-year plan states that by 2020, accumulated production and sales volume of NEVs should exceed 50 million. The market reaction to the NEV policy is positive: 56% of new-vehicle intenders feel optimistic about the popularity (market share) of NEVs in China, compared to 15% for gasoline vehicles. The China NVIS also shows that nearly 40% of intenders indicate a willingness to consider purchasing a new-energy vehicle within the next 12 months, which translates into a sales opportunity with roughly 9 million vehicles. ^[1]

^[1] LMC forecasts 2016 China's passenger vehicle sales volume at 22.8 million

- **Demand and Preference for In-Vehicle Features Varies Among Intender Segments:** A significant disparity exists among the different segments of the customer population. The 2016 NVIS divides the total customer population into five segments: young & conforming; trendy & personal; rational & pragmatic; decent & elite; and traditional & frugal. Decent & elite and rational & pragmatic intenders have the highest demand for safety features, while voice recognition and rear screen are more preferable among trendy & personal intenders.
- **Flexible Battery Options Drive Up Consideration Rate for NEVs:** Nearly 75% intenders are interested in NEVs with replaceable batteries, and 75% of intenders prefer to rent a battery from a dealer. If the cost of the battery is deducted from the total retail price, a high percentage of rejecters—customers who shop for a NEV but ultimately do not buy one—say they would reconsider purchasing an NEV (71% cite “price is high” as a reason for rejecting vs. 67% citing “maintenance fee is high”).

“China’s new-energy vehicle market is one of the most interesting and important areas within the entire automotive sector,” said Broderick. “However, favorable policies for NEVs will expire eventually, so, manufacturers should start identifying potential customers and understanding their behavior now to thrive amidst what will surely be an increased level of competition.”

List of models with the highest rates of consideration in each vehicle segment:

- Compact Mini: smart fortwo
- Compact: Chevrolet Sail
- Compact Upper: Volkswagen Polo
- Midsize Basic: Buick Excelle
- Midsize: Chevrolet Cruze
- Midsize Upper Economy: Volkswagen Sagitar
- Midsize Upper: Buick Regal
- Compact Luxury: Audi A4L
- Midsize Luxury: Audi A6L
- Large Luxury: Audi A8L
- Compact SUV: Buick Encore
- Midsize SUV: Volkswagen Tiguan
- Large SUV: Buick Envision
- Compact Luxury SUV: Audi Q3
- Midsize Luxury SUV: Audi Q5
- Large Luxury SUV: Audi Q7
- Compact MPV: Dongfeng Future Joyear
- Large MPV: Buick GL8
- Sporty: Volkswagen Scirocco

The study also includes a brand influence score (BIS), which measures familiarity and favorability of automotive brands among new-vehicle intenders in China. **BMW** achieves a BIS of 685 on a 1,000-point scale, followed by **Audi** (659), **Mercedes-Benz** (645), **Shanghai Volkswagen** (640) and **FAW-Volkswagen** (634).

The 2016 China New-Vehicle Intender Study is based on responses from 10,864 new-vehicle intenders. The study includes 63 brands and was conducted online from January to March 2016 in 78 cities across China.

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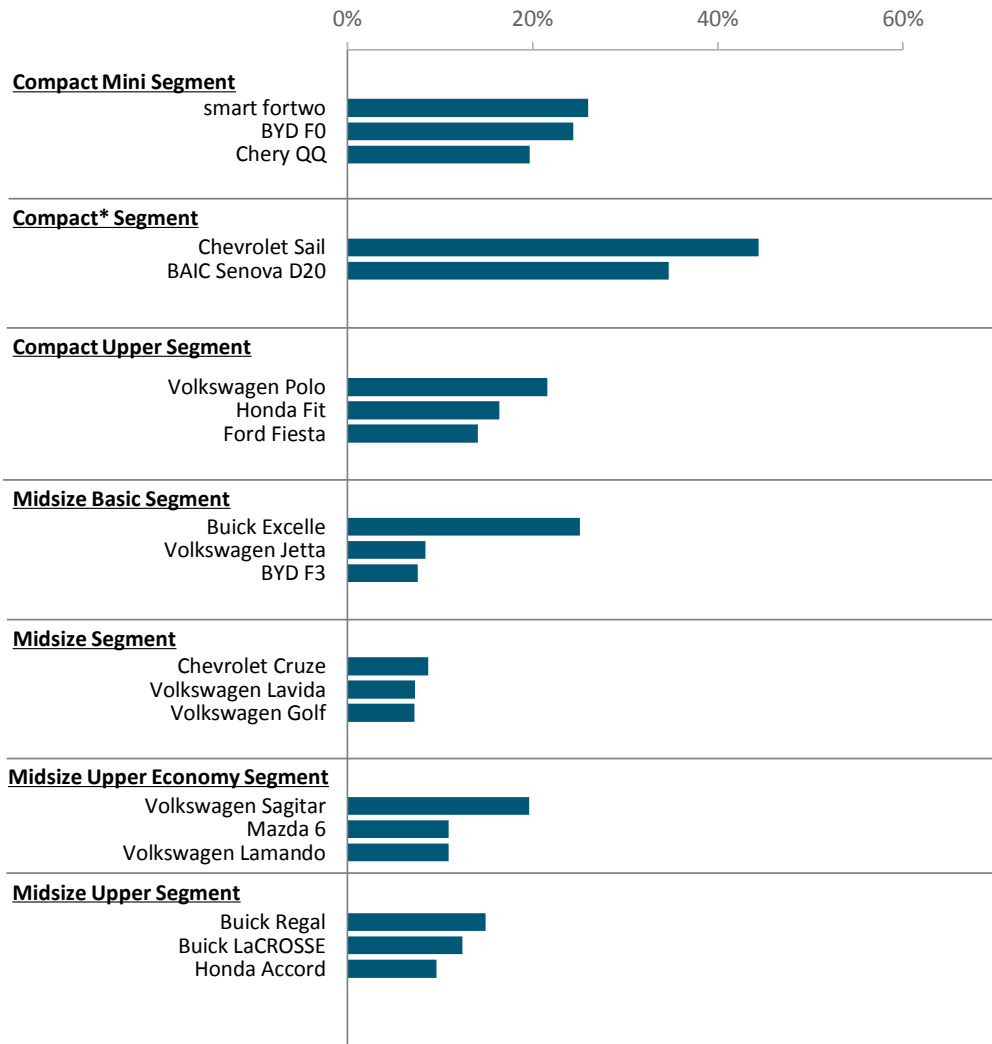
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Note: Two charts follow.

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2016 China New-Vehicle Intender StudySM (NVIS)

Top Three Models per Segment in Consideration Rate



*No other brand in this segment has a consideration rate greater than the segment average.

Note: There are fewer than four models in the large MPV segment, which is not shown in the table. Sample size in the compact basic, midsize MPV, mini van and van segments is less than 100; thus, they are not shown in the table.

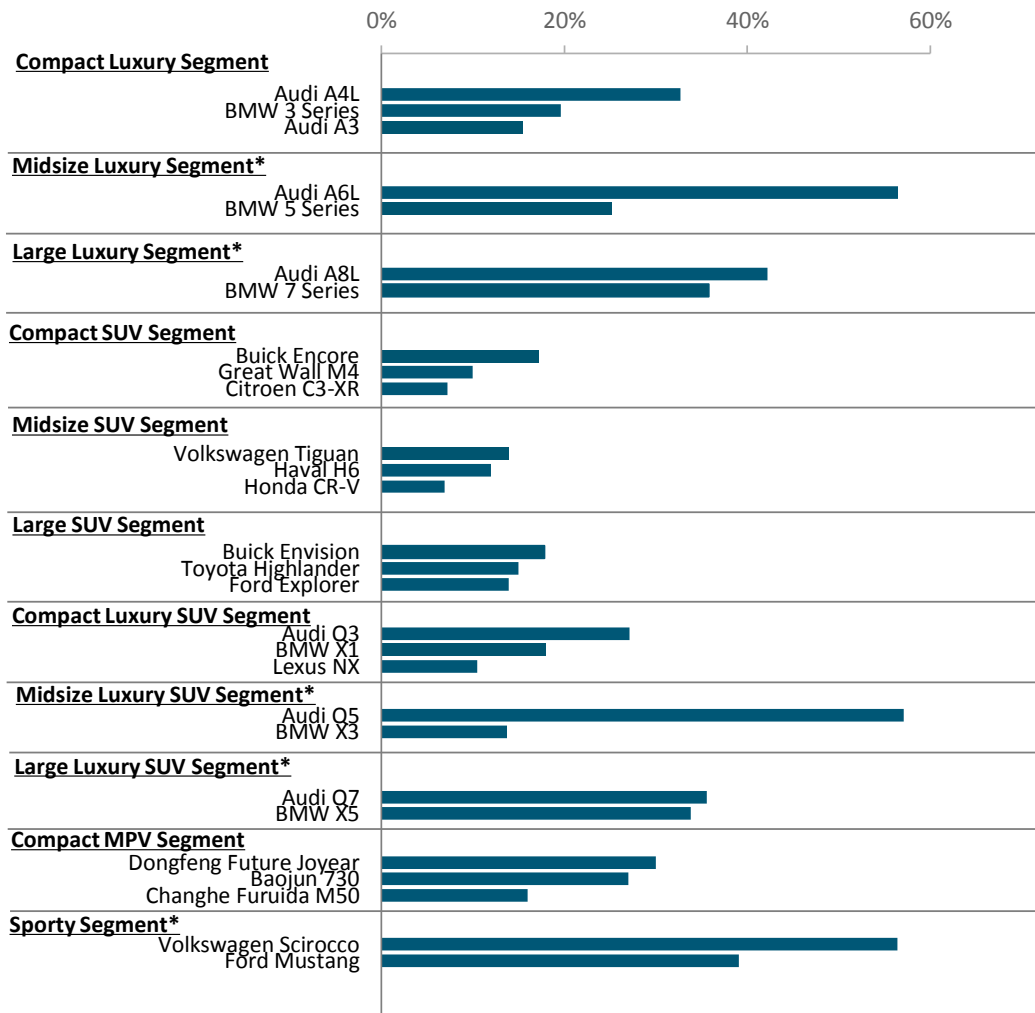
Source: J.D. Power 2016 New-Vehicle Intender StudySM (NVIS)

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